

# **GARDEN ROUTE DISTRICT MUNICIPALITY**



**FINANCIAL STATEMENTS**

**30 JUNE 2020**

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

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**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**GENERAL INFORMATION**

**NATURE OF BUSINESS**

Garden Route District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

**COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998). The demarcation code is DC04.

**JURISDICTION**

The Garden Route District Municipality includes the following municipalities:

*Bitou Municipality  
George Municipality  
Hessequa Municipality  
Kannaland Municipality  
Knysna Municipality  
Mossel Bay Municipality  
Oudtshoorn Municipality*

**EXECUTIVE MAYOR**

*Alderman M Booysen*

**DEPUTY EXECUTIVE MAYOR**

*Alderlady RH Ruiters*

**SPEAKER**

*Alderman BHJ Groenewald*

**CHIEF WHIP**

*Cllr RE Spies*

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Executive Mayor	<i>Alderman M Booysen</i>
Deputy Executive Mayor	<i>Alderlady RH Ruiters</i>
Chief Whip	<i>Cllr RE Spies</i>
Executive Councillor	<i>Cllr RE Spies</i>
Executive Councillor	<i>Alderlady I Kritzinger</i>
Executive Councillor	<i>Cllr JJC Lambaatjeen</i>
Executive Councillor	<i>Cllr JP Johnson</i>
Executive Councillor	<i>Cllr KS Lose</i>
Executive Councillor	<i>Cllr E Meyer</i>

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**GENERAL INFORMATION**

**MUNICIPAL MANAGER**

Mr. M.G Stratu

**CHIEF FINANCIAL OFFICER**

Mr. J.V.H de Jager

**REGISTERED OFFICE**

*54 York Street*  
**GEORGE**  
6529

**AUDITORS**

*Office of the Auditor General (WC)*

**PRINCIPLE BANKERS**

*Nedbank, George*

**ATTORNEYS**

*Raubenheimer Attorneys*  
*Cilliers Odendaal Attorneys*  
*Millers Attorneys*  
*Regan Brown Attorneys*  
*Schroter Attorneys (Lamont Settlement)*  
*Boer Arries Attorneys*  
*Le Roux Lamprecht Attorneys*  
*Stadler & Swart Attorneys*  
*Rauch Gertenbach Attorneys*  
*AA Solwane Attorneys*  
*Mamatela Attorneys*  
*Mosdell, Pama & Cox Attorneys*

**RELEVANT LEGISLATION**

Basic Conditions of Employment Act (Act no 75 of 1997)  
Collective Agreements  
Division of Revenue Act  
Electricity Act (Act no 41 of 1987)  
Employment Equity Act (Act no 55 of 1998)  
Housing Act (Act no 107 of 1997)  
Infrastructure Grants  
Municipal Budget and Reporting Regulations  
Municipal Finance Management Act (Act no 56 of 2003)  
Municipal Planning and Performance Management Regulations  
Municipal Property Rates Act (Act no 6 of 2004)  
Municipal Regulations on Standard Chart of Accounts  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
SALBC Leave Regulations  
Skills Development Levies Act (Act no 9 of 1999)  
Supply Chain Management Regulations, 2005  
The Income Tax Act  
Unemployment Insurance Act (Act no 30 of 1966)  
Value Added Tax Act  
Water Services Act (Act no 108 of 1997)

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**  
**GENERAL INFORMATION**

**MEMBERS OF THE GARDEN ROUTE DISTRICT MUNICIPALITY**

<b>WARD</b>	<b>COUNCILLOR</b>
Proportional	<i>Cllr WT Harris</i>
Proportional	<i>Alderman S de Vries</i>
Proportional	<i>Cllr NF Kamte</i>
Proportional	<i>Cllr MP Mapitza</i>
Proportional	<i>Cllr NV Gungubele</i>
Proportional	<i>Cllr CN Lichaba</i>
Proportional	<i>Alderlady JL Hartnick</i>
Proportional	<i>Cllr S May</i>
Proportional	<i>Cllr RE Spies</i>
Proportional	<i>Alderman M Booyesen</i>
Proportional	<i>Cllr KS Lose</i>
Proportional	<i>Cllr D Saayman</i>
Proportional	<i>Cllr BN van Wyk</i>
Proportional	<i>Cllr AJ Rossouw</i>
Representative:	<i>Alderlady T Teyisi</i>
Representative:	<i>Alderman PJ van der Hoven</i>
Representative:	<i>Alderlady I Kritzinger</i>
Representative:	<i>Cllr EH Stroebel</i>
Representative:	<i>Cllr J Fry</i>
Representative:	<i>Alderman V Gericke</i>
Representative:	<i>Alderman BHJ Groenewald</i>
Representative:	<i>Cllr E Meyer</i>
Representative:	<i>Alderlady RH Ruiters</i>
Representative:	<i>Cllr SS Mbandezi</i>
Representative:	<i>Cllr JJC Lambaatjeen</i>
Representative:	<i>Cllr RR Wildschut</i>
Representative:	<i>Cllr K Windvogel</i>
Representative:	<i>Cllr L Tyokolo</i>
Representative:	<i>Alderlady G Wolmarans</i>
Representative:	<i>Cllr A Tsengwa</i>
Representative:	<i>Cllr GL Boezak</i>
Representative:	<i>Cllr IT Mangaliso</i>
Representative:	<i>Cllr X Matyila</i>
Representative:	<i>Cllr ASM Windvogel</i>
Representative:	<i>Cllr JP Johnson</i>

## GARDEN ROUTE DISTRICT MUNICIPALITY

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2020 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

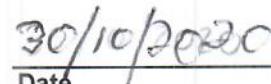
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Mr. M.G Stratu

Accounting Officer



30/10/2020

Date

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

	Notes	2020 R	2019 R
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>268 433 911</b>	<b>302 447 431</b>
Property, Plant and Equipment	2	159 418 703	156 989 845
Investment Property	3	54 181 698	83 568 386
Intangible Assets	4	1 862 962	2 156 564
Investments	5	26 022	27 445
Employee Benefits	12	52 944 526	59 705 191
<b>Current Assets</b>		<b>211 756 761</b>	<b>209 756 211</b>
Inventory	7	3 219 489	2 730 766
Receivables from Exchange Transactions	8	13 626 966	25 471 903
Receivables from Non-exchange Transactions	9	-	100 556
Operating Lease Asset	6.1	181 800	69 950
Taxes	16	2 148 048	3 278 029
Current Portion of Non-Current Employee Benefits	12	4 293 176	3 866 922
Cash and Cash Equivalents	10.1	188 287 282	174 238 085
<b>Total Assets</b>		<b>480 190 672</b>	<b>512 203 642</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>		<b>125 674 755</b>	<b>144 851 900</b>
Long-term Borrowings	11	168 683	28 488
Non-current Employee Benefits	12	125 506 072	144 823 412
<b>Current Liabilities</b>		<b>67 756 402</b>	<b>71 967 574</b>
Current Employee Benefits	13	40 691 594	37 155 387
Trade and Other Payables from Exchange Transactions	14	21 635 206	27 990 101
Unspent Transfers and Subsidies	15	5 207 020	6 123 873
Current Portion of Long-term Borrowings	11	222 582	698 213
<b>Total Liabilities</b>		<b>193 431 157</b>	<b>216 819 474</b>
<b>Net Assets</b>		<b>286 759 515</b>	<b>295 384 168</b>
Capital Replacement Reserve	18	31 856 144	31 325 892
Employee Benefits Reserve	18	33 429 212	-
Accumulated Surplus/(Deficit)		221 474 159	264 058 276
<b>Total Net Assets and Liabilities</b>		<b>480 190 672</b>	<b>512 203 642</b>

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 R	2019 R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>195 885 304</b>	<b>166 711 197</b>
<b>Transfer Revenue</b>		<b>169 469 382</b>	<b>166 673 986</b>
Government Grants and Subsidies	19	169 434 382	166 334 275
Public Contributions and Donations	20	-	339 711
Contributed Property, Plant and Equipment	21	35 000	-
<b>Other Revenue</b>		<b>26 415 922</b>	<b>37 211</b>
Actuarial Gains	12	26 415 922	37 211
Balance previously reported			-
Correction of Roads Function Actuarial Losses			37 211
<b>Revenue from Exchange Transactions</b>		<b>189 327 733</b>	<b>232 002 508</b>
Department of Transport - Roads Service Charges	23	158 186 547	192 323 602
Sales of Goods and Rendering of Services	24	11 263 150	21 547 191
Rent on Land	25	846 378	610 859
Rental of Facilities and Equipment	26	1 256 293	978 193
Interest Earned - External Investments	27	13 139 948	12 306 263
Interest Earned - Exchange Transactions	28	3 303 089	2 413 524
Licences and Permits	22	84 742	484 416
Operational Revenue	29	1 247 586	1 338 460
<b>Total Revenue</b>		<b>385 213 037</b>	<b>398 713 704</b>
<b>EXPENDITURE</b>			
Employee related costs	30	(236 927 154)	(220 643 697)
Remuneration of Councillors	31	(11 466 616)	(11 053 302)
Bad Debts Written Off	32	(4 394 304)	(3 994 605)
Contracted Services	33	(21 647 337)	(32 638 673)
Depreciation and Amortisation	34	(4 851 948)	(4 023 549)
Actuarial Losses	12	-	-
Balance previously reported			(1 508 425)
Correction of Roads Function Actuarial Losses			1 508 425
Finance Costs	35	(37 591)	(127 408)
Inventory Consumed	7	(37 051 335)	(78 154 999)
Operating Leases		(553 967)	(541 897)
Transfers and Subsidies	36	(3 198 899)	(2 355 601)
Operational Costs	37	(38 927 775)	(40 225 404)
<b>Total Expenditure</b>		<b>(359 056 926)</b>	<b>(393 759 134)</b>
<b>Operating Surplus/(Deficit) for the Year</b>		<b>26 156 111</b>	<b>4 954 570</b>
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	7.2	23 870	34 596
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(4 223 578)	(8 429 084)
Gains/(Loss) on Sale of Fixed Assets	39	(187 070)	2 207 477
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	(30 393 987)	15 737 929
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(8 624 653)</b>	<b>14 505 488</b>

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

	Capital Replacement Reserve R	Employee Benefits Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 July 2018</b>	<b>31 704 867</b>		<b>249 599 944</b>	<b>281 304 811</b>
Correction of Error - note 41	-		(426 131)	(426 131)
<b>Restated balance</b>	<b>31 704 867</b>		<b>249 173 813</b>	<b>280 878 680</b>
Net Surplus/(Deficit) for the year	-		14 505 488	14 505 488
Net Surplus/(Deficit) previously reported	-		14 684 130	14 684 130
Effects of Correction of Errors - note 41			(178 642)	(178 642)
Transfer to/from CRR	4 033 309	-	(4 033 309)	-
Property, Plant and Equipment purchased	(4 412 283)	-	4 412 283	-
<b>Balance at 30 June 2019</b>	<b>31 325 893</b>		<b>264 058 275</b>	<b>295 384 168</b>
<b>Restated balance</b>	<b>31 325 893</b>		<b>264 058 275</b>	<b>295 384 168</b>
Net Surplus/(Deficit) for the year	-		(8 624 653)	(8 624 653)
Transfer to/from CRR	4 851 948	-	(4 851 948)	-
Transfer to/from Employee Benefits Reserve	-	33 429 212	(33 429 212)	-
Property, Plant and Equipment purchased	(4 321 697)	-	4 321 697	-
<b>Balance at 30 June 2020</b>	<b>31 856 144</b>	<b>33 429 212</b>	<b>221 474 159</b>	<b>286 759 515</b>

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	2020 R	2019 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts		361 061 024	375 691 477
Other Revenue		179 403 546	198 480 427
Government - Operating		168 517 530	164 904 787
Government - Capital		-	-
Interest		13 139 948	12 306 263
Cash payments		(344 865 650)	(362 366 965)
Suppliers and Employees		(341 629 160)	(359 883 956)
Finance Charges	35	(37 591)	(127 408)
Transfers and Grants	36	(3 198 899)	(2 355 601)
<b>Net Cash from Operating Activities</b>	42	<b>16 195 374</b>	<b>13 324 512</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	2	(7 721 756)	(4 034 614)
Proceeds on Disposal of Fixed Assets		-	6 334 081
Purchase of Intangible Assets	4	(27 970)	(1 061 328)
Decrease/(Increase) in Non-Current Debtors		6 334 411	(1 730 610)
Decrease/(Increase) in Non-Current Investments		1 423	(1 419)
<b>Net Cash from Investing Activities</b>		<b>(1 413 892)</b>	<b>(493 889)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of Borrowing		(732 285)	(933 461)
<b>Net Cash from Financing Activities</b>		<b>(732 285)</b>	<b>(933 461)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>14 049 198</b>	<b>11 897 162</b>
Cash and Cash Equivalents at the beginning of the year		174 238 085	162 340 923
Cash and Cash Equivalents at the end of the year	43	188 287 282	174 238 085
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>14 049 198</b>	<b>11 897 162</b>

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Actual Outcome	Actual Outcome as % of Final Budget		
			Final Adjustment Budget	Final Budget				
	R	R	R	R				
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	169 379 000	(21 284 000)	148 095 000	148 095 000	188 287 282	27,14%		
Call Investment Deposits	-	-	-	-	-	0,00%		
Consumer Debtors	-	8 098 000	8 098 000	8 098 000	-	-100,00%		
Other Debtors	2 312 000	-	2 312 000	2 312 000	15 956 814	590,17%		
Current Portion of Employee Benefits	3 324 000	554 000	3 878 000	3 878 000	4 293 176	10,71%		
Inventory	3 536 000	(297 000)	3 239 000	3 239 000	3 219 489	-0,60%		
<b>Total Current Assets</b>	<b>46.2.1</b>	<b>178 551 000</b>	<b>(12 929 000)</b>	<b>165 622 000</b>	<b>165 622 000</b>	<b>211 756 761</b>		
					<b>2020</b>			
					<b>R</b>	<b>%</b>		
<b>Non-Current Assets</b>								
Employee Benefits	63 353 000	-	63 353 000	63 353 000	52 944 526	-16,43%		
Investments	26 000	1 000	27 000	27 000	26 022	-3,62%		
Investment Property	83 831 000	2 213 000	86 044 000	86 044 000	54 181 698	-37,03%		
Property, Plant and Equipment	143 644 000	20 033 000	163 677 000	163 677 000	159 418 703	-2,60%		
Intangible Assets	1 747 000	165 000	1 912 000	1 912 000	1 862 962	-2,56%		
<b>Total Non-Current Assets</b>	<b>46.2.2</b>	<b>292 601 000</b>	<b>22 412 000</b>	<b>315 013 000</b>	<b>315 013 000</b>	<b>268 433 911</b>		
<b>TOTAL ASSETS</b>		<b>471 152 000</b>	<b>9 483 000</b>	<b>480 635 000</b>	<b>480 635 000</b>	<b>480 190 672</b>		
						<b>-0,09%</b>		
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Borrowing	-	-	-	-	222 582	100,00%		
Consumer Deposits	-	386 000	386 000	386 000	-	-100,00%		
Trade and Other Payables	51 753 000	-	51 753 000	51 753 000	26 842 226	-48,13%		
Provisions	30 281 000	-	30 281 000	30 281 000	40 691 594	34,38%		
<b>Total Current Liabilities</b>	<b>46.2.3</b>	<b>82 034 000</b>	<b>386 000</b>	<b>82 420 000</b>	<b>82 420 000</b>	<b>67 756 402</b>		
						<b>-17,79%</b>		
<b>Non-Current Liabilities</b>								
Borrowing	1 462 000	-	1 462 000	1 462 000	168 683	-88,46%		
Provisions	84 778 000	-	84 778 000	84 778 000	125 506 072	48,04%		
<b>Total Non-Current Liabilities</b>	<b>46.2.4</b>	<b>86 240 000</b>	<b>-</b>	<b>86 240 000</b>	<b>86 240 000</b>	<b>125 674 755</b>		
<b>TOTAL LIABILITIES</b>		<b>168 274 000</b>	<b>386 000</b>	<b>168 660 000</b>	<b>168 660 000</b>	<b>193 431 157</b>		
						<b>14,69%</b>		
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	271 173 000	9 254 000	280 427 000	280 427 000	221 474 159	-21,02%		
Reserves	31 705 000	(157 000)	31 548 000	31 548 000	65 285 356	106,94%		
<b>TOTAL NET ASSETS</b>	<b>46.2.5</b>	<b>302 878 000</b>	<b>9 097 000</b>	<b>311 975 000</b>	<b>311 975 000</b>	<b>286 759 515</b>		
						<b>-8,08%</b>		

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Actual Outcome	Actual Outcome as % of Final Budget		
				2020					
				R	R				
<b>REVENUE</b>									
Service Charges - Refuse Revenue		-	5 800 000	5 800 000	5 800 000	-	-100,00%		
Rental of Facilities and Equipment		1 593 000	(70 000)	1 523 000	1 523 000	2 102 671	38,06%		
Interest Earned - External Investments		16 893 000	(3 600 000)	13 293 000	13 293 000	13 139 948	-1,15%		
Interest Earned - Outstanding Debtors		964 000	2 536 000	3 500 000	3 500 000	3 303 089	-5,63%		
Licences and Permits		105 000	-	105 000	105 000	84 742	-19,29%		
Agency Services		23 015 000	186 546 000	209 561 000	209 561 000	17 212 925	-91,79%		
Transfers Recognised - Operational		165 426 000	9 691 000	175 117 000	175 117 000	165 953 180	-5,23%		
Other Revenue		205 672 000	(184 980 000)	20 692 000	20 692 000	179 900 280	769,42%		
Gains on Disposal of PPE		3 651 999	(3 651 999)	-	-	-	0,00%		
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>46.2.6</b>	<b>417 319 999</b>	<b>12 271 001</b>	<b>429 591 000</b>	<b>429 591 000</b>	<b>381 696 835</b>	<b>-11,15%</b>		
<b>EXPENDITURE</b>									
Employee Related Costs		144 964 000	3 837 000	148 801 000	148 801 000	236 927 154	59,22%		
Remuneration of Councillors		12 828 000	-	12 828 000	12 828 000	11 466 616	-10,61%		
Debt Impairment		1 721 000	1 873 000	3 594 000	3 594 000	8 617 882	139,79%		
Depreciation and Asset Impairment		3 477 000	1 356 000	4 833 000	4 833 000	35 245 935	629,28%		
Finance Charges		-	-	-	-	37 591	100,00%		
Other Materials		4 084 000	(1 660 000)	2 424 000	2 424 000	-	-100,00%		
Contracted Services		46 505 000	(14 699 000)	31 806 000	31 806 000	21 647 337	-31,94%		
Transfers and Grants		1 965 000	39 000	2 004 000	2 004 000	-	-100,00%		
Other Expenditure		203 113 000	24 691 000	227 804 000	227 804 000	79 708 106	-65,01%		
Loss on Disposal of PPE		-	-	-	-	187 070	100,00%		
<b>Total Expenditure</b>	<b>46.2.7</b>	<b>418 657 000</b>	<b>15 437 000</b>	<b>434 094 000</b>	<b>434 094 000</b>	<b>393 837 690</b>	<b>-9,27%</b>		
<b>Surplus/(Deficit)</b>		<b>(1 337 001)</b>	<b>(3 165 999)</b>	<b>(4 503 000)</b>	<b>(4 503 000)</b>	<b>(12 140 855)</b>	<b>169,62%</b>		
Transfers Recognised - Capital Contributed Assets	<b>46.2.8</b>	-	-	-	-	3 481 202	100,00%		
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>		<b>(1 337 001)</b>	<b>(3 165 999)</b>	<b>(4 503 000)</b>	<b>(4 503 000)</b>	<b>(8 624 653)</b>	<b>91,53%</b>		
<b>Surplus/(Deficit) for the year</b>		<b>(1 337 001)</b>	<b>(3 165 999)</b>	<b>(4 503 000)</b>	<b>(4 503 000)</b>	<b>(8 624 653)</b>	<b>91,53%</b>		

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Final Budget	Actual Outcome	Actual Outcome as % of Final Budget		
			2020						
			R	R	R	R	%		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Other Revenue	230 385 000	(455 000)	229 930 000	229 930 000	179 403 546	-21,97%			
Government - Operating	165 426 000	9 691 000	175 117 000	175 117 000	168 517 530	-3,77%			
Interest	16 893 000	(3 600 000)	13 293 000	13 293 000	13 139 948	-1,15%			
<b>Payments</b>									
Suppliers and Employees	(411 494 000)	(22 599 000)	(434 093 000)	(434 093 000)	(341 629 160)	-21,30%			
Finance costs	-	-	-	-	(37 591)	100,00%			
Transfers and Grants	(1 965 000)	(2 819 000)	(4 784 000)	(4 784 000)	(3 198 899)	-33,13%			
<b>Net Cash from/(used) Operating Activities</b>	<b>(755 000)</b>	<b>(19 782 000)</b>	<b>(20 537 000)</b>	<b>(20 537 000)</b>	<b>16 195 374</b>	<b>-178,86%</b>			
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	3 652 000	-	3 652 000	3 652 000	-	-100,00%			
Decrease/(Increase) in Non-Current Debtors	3 636 000	-	3 636 000	3 636 000	6 334 411	74,21%			
Decrease/(Increase) in Non-Current Investments	-	-	-	-	1 423	100,00%			
<b>Payments</b>									
Capital Assets	(6 922 000)	(1 502 000)	(8 424 000)	(8 424 000)	(7 749 726)	-8,00%			
<b>Net Cash from/(used) Investing Activities</b>	<b>46.2.9</b>	<b>366 000</b>	<b>(1 502 000)</b>	<b>(1 136 000)</b>	<b>(1 136 000)</b>	<b>(1 413 892)</b>	<b>24,46%</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Borrowing long term/refinancing	-	-	-	-	-	0,00%			
<b>Payments</b>									
Repayment of Borrowing	-	-	-	-	(732 285)	100,00%			
<b>Net Cash from/(used) Financing Activities</b>					<b>(732 285)</b>	<b>100,00%</b>			
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>									
Cash and Cash Equivalents at the year begin:	(389 000)	(21 284 000)	(21 673 000)	(21 673 000)	14 049 196	-164,82%			
Cash and Cash Equivalents at the year end:	169 768 000	-	169 768 000	169 768 000	174 238 085	2,63%			
	169 379 000	(21 284 000)	148 095 000	148 095 000	188 287 281	27,14%			

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

##### **1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) and also in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

##### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification are disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by the National Treasury. The Municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the Municipality was required to transact for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements.

#### **1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from Management's perspective and does not correlate with the auditor's materiality.

#### **1.6. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by the National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is, therefore, on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R500,000.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2019/20 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>REFERENCE</b>	<b>TOPIC</b>	<b>EFFECTIVE DATE</b>
<b>GRAP 34 (Revised – April 2020)</b>	<p><b><u>Separate Financial Statements</u></b></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 35 (Revised – April 2020)</b>	<p><b><u>Consolidated Financial Statements</u></b></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 36 (Revised – April 2020)</b>	<p><b><u>Investments in Associates and Joint Ventures</u></b></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 37 (Revised – April 2020)</b>	<p><b><u>Joint Arrangements</u></b></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
<b>GRAP 38</b>	<b><u>Disclosure of Interest in Other Entities</u></b>	1 April 2020

**GARDEN ROUTE DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

REFERENCE	TOPIC	EFFECTIVE DATE
<b>(Revised - April 2020)</b>	<p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	
<b>GRAP 104 (Revised – April 2020)</b>	<p><b><u>Financial Instruments</u></b></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown
<b>GRAP 110 (Revised – April 2020)</b>	<p><b><u>Living and non-living resources</u></b></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.8. RESERVES

### 1.8.1. *Capital Replacement Reserve (CRR)*

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilised to finance items of property, plant and equipment. The CRR is reduced, and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.9. LEASES**

##### **1.9.1. *Municipality as Lessee***

###### *Initial Recognition and Measurement*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

###### *Subsequent Measurement*

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

###### *De-Recognition*

The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

###### *Operating Leases*

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

##### **1.9.2. *Municipality as Lessor***

###### *Finance Leases*

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **Operating Leases**

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.10. UNSPENT TRANSFERS AND SUBSIDIES**

Conditional transfers and subsidies are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional transfers and subsidies are liabilities that are separately reflected in the Statement of Financial Position. They represent unspent government grants, subsidies and contributions. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional transfers and subsidies are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

#### **1.11. UNPAID CONDITIONAL TRANSFERS AND SUBSIDIES**

Unpaid conditional transfers and subsidies are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional transfers and subsidies are recognised as an asset when the grant is receivable.

#### **1.12. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at the reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

#### **1.13. EMPLOYEE BENEFITS**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### **1.13.1. Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution, and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.13.2. Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically, and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.13.3. Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries, and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.13.4. Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee at year-end.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full but is limited to a maximum of 48 days. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.13.5. Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

#### **1.13.6. Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

#### **1.13.7. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **1.13.8. Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

#### **1.14. BORROWING COSTS**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds. The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.15. PROPERTY, PLANT AND EQUIPMENT**

##### ***1.15.1. Initial Recognition and Measurement***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

##### ***1.15.2. Subsequent Measurement – Cost Model***

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

##### ***1.15.3. Depreciation and Impairment***

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on the depreciable amount, using the straight-line method

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

over the estimated useful lives of the assets to the residual value of the asset, where applicable. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Roads Infrastructure	16 – 36	Computer equipment	1 – 33
		Furniture and Office Equipment	1 - 54
<b>Community</b>		Machinery and Equipment	2 - 36
Resorts	6 – 36	Transport Assets	8 - 36
		Municipal Offices	8 - 102

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### **1.15.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.15.5. Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.16. INTANGIBLE ASSETS**

##### **1.16.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

The Municipality does not internally generate intangible assets.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

##### **1.16.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

##### **1.16.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by Management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	4 - 19

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.16.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.17. INVESTMENT PROPERTY**

#### **1.17.1. Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as an investment property.

At initial recognition, the Municipality measures investment property at cost, including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### **1.17.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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separately. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

<b><u>Investment Property</u></b>	<b>Years</b>
Buildings	12 – 102

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

#### **1.17.4. *De-recognition***

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.18. HERITAGE ASSETS**

#### **1.18.1. *Initial Recognition***

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### **1.18.2. *Subsequent Measurement – Cost Model***

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.18.3. *Depreciation and Impairment***

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

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#### **1.18.4. *De-recognition***

Heritage assets are derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

### **1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

#### **1.19.1. *Cash-generating assets***

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### **1.19.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.20. INVENTORIES**

##### ***1.20.1. Initial Recognition***

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

##### ***1.20.2. Subsequent Measurement***

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

#### **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilisation of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### ***1.21.1. Initial Recognition***

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the

## ***GARDEN ROUTE DISTRICT MUNICIPALITY***

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

#### **1.21.2. *Subsequent Measurement***

Financial assets are categorised according to their nature as either financial assets at fair value, loans and receivables at cost and loans and receivables at amortised cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### **1.21.2.1. Receivables**

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

##### **1.21.2.2. Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

##### **1.21.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

##### **1.21.2.4. Non-Current Investments**

Investments which include fixed deposits invested in registered commercial banks, are stated at cost or amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.21.3. *De-recognition of Financial Instruments***

##### **1.21.3.1. *Financial Assets***

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **1.21.3.2. *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.21.4. *Impairment of Financial Assets***

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

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credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Municipality, after the appropriate legislative processes have been followed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### **1.21.5. *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.22. STATUTORY RECEIVABLES**

#### **1.22.1. *Identification***

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. Statutory receivables can arise from both exchange and non-exchange transactions.

#### **1.22.2. *Initial Recognition***

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

#### **1.22.3. *Measurement***

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.22.4. *Impairment***

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### **1.22.5. *De-recognition***

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### **1.22.6. *Transitional Provisions***

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the Municipality is utilising the transitional provisions contained within Directive 4 that grant the Municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.23. REVENUE**

##### **1.23.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Fine Revenue constitutes spot fines. Fine revenue is recognised when the spot fine is issued. In cases where fines are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised, it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality, therefore, recognises an expense and related revenue for the consumption of services in-kind.

#### **1.23.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue, this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from third parties i.e. insurance payments for assets impaired are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Rental from Holiday Resorts is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality, as well as the Cancellation Policy of the Municipality. The Cancellation Policy has the following refund principles:

- Less than 72 hours: 0% refund of the fees paid.
- Less than 14 days: 25% refund of the fees paid.
- Less than 1 month: 50% refund of the fees paid.
- More than 1 month: 90% refund of the fees paid.

Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The Municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the Municipality; and
- The costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.24. ACCOUNTING BY AGENTS AND PRINCIPALS**

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The Municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the Municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of Municipality in accordance with the relevant standards of GRAP.

Where the Municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

##### **1.24.1. *Identification***

When the Municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### **1.25. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)**

##### **1.25.1. *Identification***

Service concession arrangements of the Municipality include the provision of mandated functions on behalf of the Municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

##### **1.25.2. *Initial Recognition***

Service concession assets are measured initially at fair value except where the assets are existing assets of the Municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the Municipality to the operator, or from the operator to the Municipality.

##### **1.25.3. *Subsequent Measurement***

The Municipality initially measures the service concession asset at fair value if it is not an existing asset of the Municipality.

After initial recognition, the Municipality applies the measurement (including impairment) and de-recognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

Where the Municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the Municipality accounts for the liability as a financial liability.

The Municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

##### **1.25.4. *Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue***

The Municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial Instruments.

The Municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.25.5. *Dividing the arrangement***

When the Municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Were the Municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the Municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

#### **1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the Management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
  - the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Municipality of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the Management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Economic Entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of Management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of Management do not meet the definition of remuneration. Remuneration of Management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the Municipality.

#### **1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In preparing the annual financial statements, Management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that Management has made in the process of applying the Municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

#### **1.31.1. Post-retirement medical obligations, Long service awards and Ex-gratia gratuities**

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 13 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### **1.31.2. Impairment of Receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### **1.31.3. Impairment of Statutory Receivables**

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

#### **1.31.4. Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on Management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on Management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, Management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other Municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, Management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.5. Intangible Assets**

The useful lives of intangible assets are based on Management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, Management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### **1.31.6. Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### **1.31.7. Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by Management of the Municipality.

In making their judgement, Management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The Management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

## **GARDEN ROUTE DISTRICT MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1.31.8. Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.31.9. Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year-end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

#### **1.31.10. Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

#### **1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

#### **1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### **1.34. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

The effects of the COVID-19 pandemic are likely to be a current-period event, which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognised in the reporting period.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2020

	Cost/Revaluation					Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Depreciation	Impairment	Reversal of Impairment	Disposals	Closing Balance	
<b>Infrastructure</b>												
Roads	104 489	-	-	-	104 489	52 438	4 254	-	-	-	56 692	47 797
	104 489	-	-	-	104 489	52 438	4 254	-	-	-	56 692	47 797
<b>Community Assets</b>												
Community Facilities	1 617 125	-	-	-	1 617 125	444 474	74 245	-	-	-	518 719	1 098 406
Resorts	1 617 125	-	-	-	1 617 125	444 474	74 245	-	-	-	518 719	1 098 406
<b>Other Assets</b>												
Other Land	250 932 938	850 000	-	-	251 782 938	146 423 852	-	12 693 906	(11 662 608)	-	147 455 150	104 327 788
Operational Buildings	51 721 498	1 609 615	-	-	53 331 113	16 859 684	842 462	1 291 469	(1 203 602)	-	17 790 013	35 541 100
Municipal Offices	16 550 158	1 397 899	-	(212 658)	17 735 399	11 021 965	1 417 981	-	-	(159 814)	12 280 131	5 455 268
Computer Equipment	8 950 956	368 859	-	(213 380)	9 106 436	6 203 795	545 576	-	-	(157 884)	6 591 488	2 514 948
Furniture and Office Equipment	5 625 871	80 107	-	(233 042)	5 472 935	3 528 276	400 268	-	-	(210 983)	3 717 561	1 755 374
Machinery and Equipment	11 757 956	3 450 277	-	(170 565)	15 037 667	6 807 954	686 125	-	-	(157 383)	7 336 696	7 700 971
Transport Assets	345 539 377	7 756 756	-	(829 645)	352 466 488	190 845 526	3 892 411	13 985 374	(12 866 209)	(686 064)	195 171 039	157 295 449
<b>Leases</b>												
Computer Equipment	1 841 142	396 848	-	(96 581)	2 141 409	769 850	452 354	-	-	(57 845)	1 164 358	977 051
	1 841 142	396 848	-	(96 581)	2 141 409	769 850	452 354	-	-	(57 845)	1 164 358	977 051
<b>Total</b>	349 102 133	8 153 604	-	(926 225)	356 329 512	192 112 288	4 423 264	13 985 374	(12 866 209)	(743 909)	196 910 809	159 418 703

2.2 30 JUNE 2019

	Cost/Revaluation					Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Depreciation	Impairment	Reversal of Impairment	Disposals	Closing Balance	
<b>Infrastructure</b>												
Roads	104 489	-	-	-	104 489	48 184	4 254	-	-	-	52 438	52 051
	104 489	-	-	-	104 489	48 184	4 254	-	-	-	52 438	52 051
<b>Community Assets</b>												
Community Facilities	1 274 115	343 010	-	-	1 617 125	381 640	62 834	-	-	-	444 474	1 172 652
Resorts	1 274 115	343 010	-	-	1 617 125	381 640	62 834	-	-	-	444 474	1 172 652

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

30 JUNE 2019 (Continue)

	Cost/Revaluation					Accumulated Depreciation and Impairment Losses						Carrying Value
	Opening Balance	Additions	Under Construction	Disposals/Impairment	Closing Balance	Opening Balance	Depreciation	Impairment	Reversal of Impairment	Disposals	Closing Balance	
<b>Other Assets</b>												
Other Land	250 932 938	-	-	-	250 932 938	157 078 000	-	7 554 824	(18 208 973)	-	146 423 852	104 509 086
Balance previously reported	250 932 938	-	-	-	250 932 938	157 078 000	-	7 554 824	(21 300 266)	-	143 332 558	107 600 379
Correction of error - incorrect impairment	-	-	-	-	-	-	-	-	3 091 293	-	3 091 293	(3 091 293)
Operational Buildings												
Municipal Offices	51 688 555	32 943	-	-	51 721 498	16 357 310	809 699	-	(307 325)	-	16 859 684	34 861 814
Balance previously reported	51 688 555	32 943	-	-	51 721 498	16 365 855	809 589	-	(307 325)	-	16 868 120	34 853 378
Correction of error - remaining useful lives	-	-	-	-	-	(8 545)	110	-	-	-	(8 435)	8 435
Computer Equipment	14 508 712	2 189 685	-	(148 240)	16 550 158	10 217 343	929 236	-	-	(124 614)	11 021 965	5 528 193
Balance previously reported	14 496 976	2 189 685	-	(159 263)	16 527 398	10 217 634	932 723	-	-	(134 185)	11 016 173	5 511 226
Correction of error - negative carrying value	3 815	-	-	-	3 815	115	139	-	-	-	254	3 561
Correction of error - first time recognition	7 921	-	-	-	7 921	-	1 316	-	-	-	1 316	6 605
Correction of error - remaining useful lives	-	-	-	-	-	(406)	(4 607)	-	-	-	(5 013)	5 013
Correction of error - previously disposed now found	-	-	-	11 024	11 024	-	(335)	-	-	9 571	9 236	1 788
Furniture and Office Equipment	8 621 180	447 122	-	(117 346)	8 950 956	5 794 284	518 246	-	(2 103)	(106 632)	6 203 795	2 747 161
Balance previously reported	8 528 846	447 122	-	(167 173)	8 808 796	5 795 755	519 749	-	(2 215)	(152 525)	6 160 763	2 648 033
Correction of error - first time recognition	92 334	-	-	-	92 334	-	11 949	-	-	-	11 949	80 385
Correction of error - remaining useful lives	-	-	-	-	-	(1 471)	(8 275)	-	-	-	(9 746)	9 746
Correction of error - previously disposed now found	-	-	-	49 826	49 826	-	(5 176)	-	112	45 894	40 829	8 997
Machinery and Equipment	5 081 449	600 082	-	(55 660)	5 625 871	3 248 307	323 301	-	-	(43 331)	3 528 276	2 097 594
Balance previously reported	5 071 877	600 082	-	(115 758)	5 556 201	3 249 327	331 757	-	-	(90 948)	3 490 135	2 066 066
Correction of error - first time recognition	9 571	-	-	-	9 571	-	1 386	-	-	-	1 386	8 186
Correction of error - remaining useful lives	-	-	-	-	-	(1 020)	(6 417)	-	-	-	(7 437)	7 437
Correction of error - previously disposed now found	-	-	-	60 098	60 098	(3 425)	-	-	47 617	44 192	15 906	
Transport Assets	11 362 234	432 116	-	(36 394)	11 757 956	6 367 381	476 966	-	-	(36 394)	6 807 954	4 950 002
Balance previously reported	11 362 234	432 116	-	(45 093)	11 749 257	6 369 323	476 167	-	-	(44 251)	6 801 239	4 948 019
Correction of error - remaining useful lives	-	-	-	-	8 699	-	971	-	-	-	(971)	971
Correction of error - previously disposed now found	-	-	-	8 699	-	(1 71)	-	-	7 857	7 686	1 012	
<b>Leases</b>	342 195 067	3 701 949	-	(357 640)	345 539 377	199 062 625	3 057 448	7 554 824	(18 518 400)	(310 971)	190 845 526	154 693 850
Computer Equipment	1 748 944	201 729	-	(109 530)	1 841 142	275 157	545 339	-	-	(50 646)	769 850	1 071 292
1 748 944	201 729	-	(109 530)	1 841 142	275 157	545 339	-	-	(50 646)	769 850	1 071 292	
<b>Total</b>	345 322 615	4 246 688	-	(467 170)	349 102 133	199 767 606	3 669 875	7 554 824	(18 518 400)	(361 617)	192 112 288	156 989 845

	2020 R	2019 R
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>		
Other materials	586 409	553 747
Contracted Services	1 523 706	1 824 724
Other Expenditure	361 344	71 805
<b>Total Repairs and Maintenance</b>	<b>2 471 458</b>	<b>2 450 276</b>
<b>2.4 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R 977,051 is secured for leases as set out in Note 11.		
<b>2.5 Third party payments received for losses incurred:</b>		
Payments received (Excluding VAT)	-	694 006
Carrying value of assets written off/lost	(182 317)	(124 262)
Surplus/(Deficit)	(182 317)	569 744
<b>2.6 Impairment losses of Property, Plant and Equipment</b>		
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
Other	13 985 374	7 554 824
<b>Total Impairment Losses</b>	<b>13 985 374</b>	<b>7 554 824</b>
<b>2.7 Reversal of Impairment losses of Property, Plant and Equipment</b>		
Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:		
Other	12 866 209	18 518 512
Balance previously reported		21 609 805
Correction of impairment loss on land - refer Note 41.6		(3 091 293)
<b>Total Reversal of Impairment losses</b>	<b>12 866 209</b>	<b>18 518 512</b>
<b>2.8 Effect of changes in accounting estimates</b>		
<i>The effect of a change in accounting estimate will have on the current period and subsequent periods.</i>		
	2020 R	2021 R
Effect on Property, plant and equipment	(176 827)	448 164
	2020 R	2019 R
<b>2.9 Contractual commitments for acquisition of Property, Plant and Equipment:</b>		
Approved and contracted for:		
Other	-	5 003 527
<b>Total</b>	<b>-</b>	<b>5 003 527</b>
This expenditure will be financed from:		
Capital Replacement Reserve	-	2 255 480
Government Grants	-	2 748 047
Own Resources	-	-
District Council Grants	-	-
<b>Total</b>	<b>-</b>	<b>5 003 527</b>

	2020 R	2019 R
<b>3. INVESTMENT PROPERTY</b>		
<b>3.1 Net Carrying amount at 1 July</b>	<b>83 568 386</b>	<b>82 880 899</b>
Cost	165 199 415	170 015 415
Balance previously reported	(2 505 904)	173 315 415
Correction of error - properties previously disposed - refer Note 41.7	(79 125 126)	(3 300 000)
Accumulated Depreciation	(2 394 037)	(84 740 479)
Accumulated Impairment Loss	(85 500 479)	760 000
Balance previously reported	(3 975 000)	
Correction of error - properties previously disposed - refer Note 41.8	(4 816 000)	
Disposal	-	841 000
Cost	(111 866)	(111 867)
Accumulated Impairment Loss	(37 571 447)	(14 822 797)
Depreciation for the year	8 296 626	19 597 150
Impairment loss		
Reversal of Impairment loss		
<b>Net Carrying amount at 30 June</b>	<b>54 181 698</b>	<b>83 568 386</b>
Cost	165 199 415	165 199 415
Accumulated Depreciation	(2 617 770)	(2 505 904)
Accumulated Impairment Loss	(108 399 947)	(79 125 126)
<b>3.2 Revenue from Investment Property</b>	<b>1 119 775</b>	<b>963 347</b>
Revenue derived from the rental of Investment Property	1 119 775	963 347
<b>3.3 Impairment losses of Investment Property</b>		
Impairment losses on Investment Property recognised in Statement of Financial Performance are as follows:		
Revenue Generating	(434 000)	-
Improved Property	(48 000)	-
Unimproved Property	(386 000)	-
Non-revenue Generating	(37 137 447)	(14 822 797)
Improved Property	(3 822 000)	(575 397)
Unimproved Property	(33 315 447)	(14 247 400)
<b>Total Impairment Losses</b>	<b>(37 571 447)</b>	<b>(14 822 797)</b>
<b>3.4 Reversal of Impairment losses of Investment Property</b>		
Reversal of Impairment losses on Investment Property recognised in statement of financial performance are as follows:		
Revenue Generating	619 229	2 960 000
Improved Property	619 229	2 824 000
Unimproved Property	-	136 000
Non-revenue Generating	7 677 397	16 637 150
Improved Property	575 397	3 872 000
Unimproved Property	7 102 000	12 765 150
<b>Total Reversal of Impairment losses</b>	<b>8 296 626</b>	<b>19 597 150</b>
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
<b>4. INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>2 156 564</b>	<b>1 383 094</b>
Cost	5 828 225	5 448 934
Accumulated Amortisation	(3 551 267)	(3 945 445)
Balance previously reported	(120 395)	(3 965 900)
Correction of revised useful lives	27 970	20 455
Accumulated Impairment Loss	(316 818)	(120 395)
Additions	(4 754)	1 061 328
Amortisation	(360 247)	(241 806)
Balance previously reported	(239 030)	
Correction of revised useful lives	(2 776)	
Disposals	(46 051)	
Cost	58 533	(682 036)
Accumulated Impairment Loss	296 961	-
Accumulated Amortisation	(61 862)	635 985
<b>Net Carrying amount at 30 June</b>	<b>1 862 962</b>	<b>2 156 564</b>
Cost	5 495 948	5 828 225
Accumulated Amortisation	(3 571 124)	(3 551 267)
Accumulated Impairment Loss	(61 862)	(120 395)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	2020 R	2019 R
<b>5. INVESTMENTS</b>		
Unlisted	26 022	27 445
KKLK shares and Loan Account	26 022	27 445
<b>Total Investments</b>	<b>26 022</b>	<b>27 445</b>
Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to those shares.		
Unlisted investments comprise of the following. Valuations of investments supplied by council are:		
KKLK shares	26 022	27 445
	26 022	27 445
<b>6. OPERATING LEASE ARRANGEMENTS</b>		
<b>6.1 The Municipality as Lessor</b>		
Operating Lease Asset	181 800	69 950
<b>Reconciliation</b>		
Balance at the beginning of the year	69 950	18 833
Movement during the year	111 850	51 117
Balance at the end of the year	<b>181 800</b>	<b>69 950</b>
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	1 279 524	363 135
1 to 5 Years	1 038 629	580 566
<b>Total Operating Lease Arrangements</b>	<b>2 318 153</b>	<b>943 701</b>
<b>6.2 The Municipality as Lessee</b>		
Operating Lease Liability	-	-
<b>Reconciliation</b>		
Balance at the beginning of the year	-	13 657
Movement during the year	-	(13 657)
Balance at the end of the year	-	-
<b>7. INVENTORY</b>		
Consumables	3 219 489	2 730 766
<b>Total Inventory</b>	<b>3 219 489</b>	<b>2 730 766</b>
<b>7.1 Inventories recognised as an expense during the year:</b>		
Roads Function - Consumables	33 941 415	75 328 510
Consumables	2 744 889	2 615 669
Balance previously reported	2 651 249	
Correction of error - incorrect accruals in previous periods - refer Note 41.2	(35 581)	
Materials and Supplies	365 032	210 820
<b>Total</b>	<b>37 051 335</b>	<b>78 154 999</b>
Roads Function inventory is classified as consumables as this inventory is consumed in the performance of the service of maintaining the provincial roads on behalf of the Department of Transport. The roads are not the asset of the Garden Route District Municipality.		
<b>7.2 Inventory surpluses / (written down due to losses) as identified during the annual stores counts:</b>		
Consumables	23 870	34 596
<b>Total</b>	<b>23 870</b>	<b>34 596</b>
No inventories were pledged as security for liabilities.		

**8. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	2020 R	2019 R
Property Rentals	2 266 954	1 778 441
Balance previously reported	-	2 085 198
Correction of incorrect debtor levies - Note 41.1	-	(306 757)
Ambulance and Fire Fighting Fees	31 194 908	27 534 731
Balance previously reported	-	28 188 847
Correction of incorrect debtor levies - Note 41.1	-	(654 116)
Other Arrears	7 843 805	5 673 138
Government subsidies: Department of Transport - Roads	5 195 190	13 706 402
Balance previously reported	-	12 142 238
Correction of error - roads integration correction on interest on exchange transactions - Note 41.8	-	18 527
Correction of error - roads integration correction on actuarial gains and losses - Note 41.8	-	1 545 637
Roads - Other Arrears	421 285	224 518
Prepayments and Advances	-	5 003 527
PPE	-	5 003 527
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>46 922 141</b>	<b>53 920 757</b>
<b>Less: Provision for Debt Impairment</b>	<b>(33 295 175)</b>	<b>(28 448 854)</b>
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>13 626 966</b>	<b>25 471 903</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

*Property Rentals: Ageing*

Current (0 - 30 days)	210 927	266 043
31 - 60 Days	149 553	56 178
61 - 90 Days	128 241	53 111
+ 90 Days	1 778 332	1 403 109
<b>Total</b>	<b>2 266 954</b>	<b>1 778 441</b>

*Ambulance and Fire Fighting Fees: Ageing*

Current (0 - 30 days)	944 154	501 048
31 - 60 Days	376 395	492 937
61 - 90 Days	237 248	375 801
+ 90 Days	29 637 112	26 164 946
<b>Total</b>	<b>31 194 908</b>	<b>27 534 731</b>

*Other Arrears: Ageing*

Current (0 - 30 days)	6 312 479	1 533 993
31 - 60 Days	182 431	143 213
61 - 90 Days	36 381	346 731
+ 90 Days	1 312 514	3 649 201
<b>Total</b>	<b>7 843 806</b>	<b>5 673 138</b>

*(Total): Ageing*

Current (0 - 30 days)	7 467 460	2 301 084
31 - 60 Days	708 379	692 328
61 - 90 Days	401 970	775 642
+ 90 Days	32 727 958	31 217 256
<b>Total</b>	<b>41 305 667</b>	<b>34 986 310</b>

*Reconciliation of Provision for Debt Impairment*

*Garden Route District Municipality*

Balance at beginning of year	28 448 854	18 937 131
Balance previously reported	-	19 703 621
Correction of incorrect debtor levies and impairment - Note 41.1	-	(766 491)
Contribution to provision	3 846 210	8 429 084
Balance previously reported	-	8 560 292
Correction of incorrect debtor levies and impairment - Note 41.1	-	(131 208)
VAT on provision	622 744	1 082 640
Balance previously reported	-	1 097 498
Correction of incorrect debtor levies and impairment - Note 41.1	-	(14 859)
<b>Balance at end of year</b>	<b>32 917 807</b>	<b>28 448 854</b>

*Roads Function*

Balance at beginning of year	377 368	-
Contribution to provision	-	-
Balance at end of year	377 368	-
<b>Total Balance at end of year</b>	<b>33 295 175</b>	<b>28 448 854</b>

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2020 R	2019 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	540 896	130 409
2+ months past due	1 292 680	3 629 949
	<b>1 833 576</b>	<b>3 760 357</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Insurance Claims	-	100 556
<u>Less:</u> Provision for Debt Impairment	-	100 556
<b>Total Receivables from non-exchange transactions</b>	<b>-</b>	<b>100 556</b>

The fair value of other receivables approximate their carrying value.

10. BANK ACCOUNTS		
<b>10.1 Cash and Cash Equivalents</b>		
Current Accounts	186 353 956	145 935 030
Roads - Bank Account	1 858 494	28 287 172
Cash On-hand	74 833	15 883
<b>Total Cash and Cash Equivalents - Assets</b>	<b>188 287 282</b>	<b>174 238 085</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. The municipality followed a formal tender process and Nedbank was awarded the tender. The previous bankers of Garden Route District Municipality was Standard Bank.

Included in other deposits and bank balances are an amount of 2020: R5,207,017 (2019: R6,893,628) which is attributable to unspent grants and subsidies; and 2020: R31,856,144 (2019: R31,325,891) which is attributable to the Capital Replacement Reserve and 2020: R 33 429 212 (2019:R0) which is attributable to the Employee Benefit Reserve.

The municipality has the following bank accounts:

<b>Current Accounts</b>		
Nedbank Limited - Account Number 1186616261 (Primary Current Account):	186 353 956	97 597 437
Nedbank Limited - Account Number 1153066203 (Secondary Current Account)	1 850 094	27 936 080
Standard Bank Limited - Account Number 06 083 263 000 0 (Previous Primary Bank Account):	-	48 321 838
Standard Bank Limited - Account Number 06 083 283 500 0 (Previous Roads Account):	-	299 491
	<b>188 204 049</b>	<b>174 154 846</b>

10. BANK ACCOUNTS (CONTINUED)	2020 R	2019 R			
Details of current accounts are as follow:					
<b>Nedbank Limited - Account Number 1186616261 (Primary Current Account):</b>					
Cash book balance at beginning of year	97 597 437	-			
Cash book balance at end of year	186 353 956	97 597 437			
Bank statement balance at beginning of year	97 597 437	-			
Bank statement balance at end of year	186 348 886	97 597 437			
<b>Nedbank Limited - Account Number 1153066203 (Secondary Current Account):</b>					
Cash book balance at beginning of year	27 936 080	-			
Cash book balance at end of year	1 850 094	27 936 080			
Bank statement balance at beginning of year	27 936 080	-			
Bank statement balance at end of year	1 850 094	27 936 080			
<b>Standard Bank Limited - Account Number 06 083 263 000 0 (Previous Primary Bank Account):</b>					
Cash book balance at beginning of year	48 321 838	129 440 177			
Cash book balance at end of year	-	48 321 838			
Bank statement balance at beginning of year	48 321 838	129 445 527			
Bank statement balance at end of year	-	48 321 838			
<b>Standard Bank Limited - Account Number 06 083 283 500 0 (Previous Roads Account):</b>					
Cash book balance at beginning of year	299 491	32 428 004			
Cash book balance at end of year	-	299 491			
Bank statement balance at beginning of year	299 491	32 263 342			
Bank statement balance at end of year	-	299 491			
Details of call investment accounts are as follow:					
<b>ABSA Bank Limited - Account Number 91 8226 2703 (Cash Account):</b>					
Cash book balance at beginning of year	-	9 247			
Cash book balance at end of year	-	-			
Bank statement balance at beginning of year	-	9 247			
Bank statement balance at end of year	-	-			
<b>Standard Bank Limited - Account Number 48872744847 (Cash Account):</b>					
Cash book balance at beginning of year	-	151 435			
Cash book balance at end of year	-	-			
Bank statement balance at beginning of year	-	151 435			
Bank statement balance at end of year	-	-			
<b>Standard Bank Limited - Account Number 401719790 (Cash Account):</b>					
Cash book balance at beginning of year	-	984 111			
Cash book balance at end of year	-	-			
Bank statement balance at beginning of year	-	984 111			
Bank statement balance at end of year	-	-			
<b>11. LONG-TERM BORROWINGS</b>					
Capitalised Lease Liability - At amortised cost	391 266	726 702			
<b>Less:</b> Current Portion transferred to Current Liabilities	391 266	726 702			
Capitalised Lease Liability - At amortised cost	222 583	698 214			
<b>Total Long-term Borrowings</b>	222 583	698 214			
	168 683	28 488			
The obligations under finance leases are scheduled below:					
		Minimum payments			
	2020 R	2019 R			
Amounts payable under finance leases:					
Payable within one year	243 811	729 307			
Payable within two to five years	174 795	29 335			
<b>Less:</b> Future finance obligations	418 607	758 641			
<b>Present value of finance lease obligations</b>	(27 341)	(31 939)			
	391 265	726 702			
The capitalised lease liability consist out of the following contracts:					
Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Telkom	Mobile Communication Devices	Prima rate	None	24 Months	Various

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

	2020 R	2019 R
<b>12. NON-CURRENT EMPLOYEE BENEFITS</b>		
Provision for Post Retirement Health Care Benefits	69 682 000	81 558 738
Roads - Provision for Post Retirement Health Care Benefits	50 600 000	57 004 161
Provision for Ex-Gratia Pension Benefits	131 442	132 413
Roads - Provision for Ex-Gratia Pension Benefits	435 702	436 234
Provision for Long Service Awards	8 706 000	9 079 043
Roads - Provision for Long Service Awards	6 202 000	6 131 718
<b>Total Non-current Employee Benefits</b>	<b>135 757 144</b>	<b>154 342 307</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 13	<b>(10 251 072)</b>	<b>(9 518 895)</b>
	<b>125 506 072</b>	<b>144 823 412</b>

***Employee Benefits - Receivables (Note 12.5)***

Included in the above provision for Employee Benefits are the following amounts receivable from the Department of Transport with regards to employee benefits:

Roads - Provision for Post Employment Health Care Benefits (Note 12.5)	50 600 000	57 004 161
Roads - Provision for Ex-Gratia Pension Benefits (Note 12.5)	435 702	436 234
Roads - Provision for Long Service Leave Awards (Note 12.5)	6 202 000	6 131 718
	<b>57 237 702</b>	<b>63 572 113</b>
<b>Less:</b> Short Term Portion Transferred to Current Employee Benefits Receivable (Note 12.5)	<b>(4 293 176)</b>	<b>(3 866 922)</b>
	<b>52 944 526</b>	<b>59 705 191</b>

***Post Retirement Health Care Benefits***

Balance 1 July	138 562 901	131 409 420
Contribution for the year	14 984 728	14 891 090
Expenditure for the year	(7 446 411)	(6 957 208)
Actuarial Loss/(Gain)	(25 819 218)	(780 401)
<b>Total provision 30 June</b>	<b>120 282 000</b>	<b>138 562 901</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 13	<b>(7 701 000)</b>	<b>(7 446 411)</b>
<b>Balance 30 June</b>	<b>112 581 000</b>	<b>131 116 490</b>

***Ex-Gratia Pensions***

Balance 1 July	568 648	536 932
Contribution for the year	37 053	37 920
Expenditure for the year	(120 072)	(119 772)
Actuarial Loss/(Gain)	81 515	113 568
<b>Total provision 30 June</b>	<b>567 144</b>	<b>568 648</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 13	<b>(120 072)</b>	<b>(120 072)</b>
<b>Balance 30 June</b>	<b>447 072</b>	<b>448 576</b>

	2020 R	2019 R
<b><i>Long Service Awards</i></b>		
Balance 1 July	15 210 761	14 673 271
Contribution for the year	2 327 870	2 054 934
Expenditure for the year	(1 952 412)	(2 147 066)
Actuarial Loss/(Gain)	(678 219)	629 622
<b>Total provision 30 June</b>	<b>14 908 000</b>	<b>15 210 761</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 13	<b>(2 430 000)</b>	<b>(1 952 412)</b>
<b>Balance 30 June</b>	<b>12 478 000</b>	<b>13 258 349</b>

	2020 R	2019 R
<b>12. NON-CURRENT EMPLOYEE BENEFITS (CONTINUED)</b>		
<b>12.1 Provision for Post Retirement Health Care Benefits</b>		

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	228	240
Continuation members (e.g. Retirees, widows, orphans)	153	160
<b>Total Members</b>	<b>381</b>	<b>400</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	20 789 000	26 049 806
Roads - In-service members	18 746 000	22 706 924
Continuation members	48 893 000	55 508 934
Roads - Continuation members	31 854 000	34 297 237
<b>Total Liability</b>	<b>120 282 000</b>	<b>138 562 901</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
In-service members	25 022 841	23 575 497	24 562 583
Roads - In-service members	26 054 520	24 784 249	25 619 998
In-service non-members	-	-	-
Continuation members	50 249 573	52 907 829	51 101 895
Roads - Continuation members	30 082 486	30 345 101	29 695 204
<b>Total Liability</b>	<b>131 409 420</b>	<b>131 612 676</b>	<b>130 979 680</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas  
Hosmed  
LA Health  
Key Health, and  
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R2 504 440, whereas the Interest Cost for the next year is estimated to be R11 594 000.

	2020 %	2019 %
Key actuarial assumptions used:		

**i) Rate of interest**

Discount rate	9,95%	9,25%
Health Care Cost Inflation Rate	6,07%	6,74%
Net Effective Discount Rate	3,66%	2,35%

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age with a 1% mortality improvement p.a. from 2010 was used by the actuaries.

**iii) Normal retirement age**

The normal retirement age for employees of the municipality is 65 years. It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of ill-health, early and late retirement.

**iv) Expected rate of salary increases**

2019/2020 - increase of six comma five percent (6,5%)

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**The amounts recognised in the Statement of Financial Position are as follows:**

	2020 R	2019 R
Present value of fund obligations	69 682 000	81 558 740
Roads Function - Present value of fund obligations	50 600 000	57 004 161
<b>Net liability/(asset)</b>	<b>120 282 000</b>	<b>138 562 901</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	138 562 901	131 409 420
Total expenses	7 538 317	7 933 882
Current service cost	2 504 440	2 755 783
Interest Cost	12 480 288	12 135 307
Benefits Paid	(7 446 411)	(6 957 208)
Actuarial (gains)/losses	(25 819 218)	(780 401)
Present value of fund obligation at the end of the year	<b>120 282 000</b>	<b>138 562 901</b>

**Sensitivity Analysis on the Accrued Liability on 30 June 2020**

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
<b>Assumption</b>			
Central Assumptions	39 535	80 747	120 282

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Assumption</b>					
Health care inflation	1%	47 345	88 328	135 673	13,00%
Health care inflation	-1%	33 317	74 189	107 506	-11,00%
Discount rate	1%	33 562	74 458	108 020	-10,00%
Discount rate	-1%	47 115	88 113	135 228	12,00%
Post-retirement mortality	+1 year	38 595	78 012	116 607	-3,00%
Post-retirement mortality	-1 year	40 461	83 495	123 956	3,00%
Average retirement age	-1 year	41 464	80 747	122 211	2,00%
Continuation of membership at retirement	-10%	34 813	80 747	115 560	-4,00%

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020**

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	2 504 400	12 480 300	14 984 700

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Assumption</b>					
Health care inflation	1%	3 128 700	14 313 600	17 442 300	16,00%
Health care inflation	-1%	2 025 600	10 984 300	13 009 900	-13,00%
Discount rate	1%	2 057 700	12 218 900	14 276 600	-5,00%
Discount rate	-1%	3 090 300	12 741 600	15 831 900	6,00%
Post-retirement mortality	-1 year	2 571 700	12 908 400	15 480 100	3,00%
Average retirement age	-1 year	2 602 400	12 796 800	15 399 200	3,00%
Continuation of membership at retirement	-10%	2 213 100	11 944 300	14 157 400	-6,00%

	2020 Rm	2019 Rm
Experience adjustments were calculated as follows:		

Liabilities: (Gain) / loss	0,074	0,074
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The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	(0,526)	7,037	1,839

	2020 R	2019 R
<b>12.2 Provision for Ex-Gratia Pension Benefits</b>		
The Ex-Gratia Pension Benefit plans are defined benefit plans. As at year end, 10 former employees were eligible for Ex-Gratia Benefits.		
There is no Current-service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest- Cost for the next year is estimated to be R 26 460.		
Key actuarial assumptions used:	2020 %	2019 %
i) <b>Rate of interest</b>		
Discount rate	5,21%	7,27%
General Salary Inflation (long-term)	0,95%	2,04%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	4,23%	5,13%
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"		
ii) <b>Actuarial Valuation Method</b>		
The Projected Unit Credit Method has been used to value the liabilities.		
The amounts recognised in the Statement of Financial Position are as follows:	2020 R	2019 R
Present value of fund obligations - Garden Route	131 442	132 414
Present value of fund obligations - Roads	435 702	436 234
<b>Net liability/(asset)</b>	<b>567 144</b>	<b>568 648</b>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	568 648	536 932
Total expenses	(83 019)	(81 852)
Interest Cost	37 053	37 920
Benefits Paid	(120 072)	(119 772)
Actuarial (gains)/losses	81 515	113 568
Present value of fund obligation at the end of the year	<b>567 144</b>	<b>568 648</b>
Sensitivity Analysis on the Unfunded Accrued Liability		
<b>Assumption</b>	<b>Change</b>	<b>Liability (R)</b>
Central assumptions		567 144
Pension Increase rate	+1%	591 299
Pension Increase rate	-1%	544 632
Discount Rate	+1%	545 712
Discount Rate	-1%	590 514
Post-retirement mortality	+1 yr	538 357
Post-retirement mortality	-1 yr	597 009
	2020 R	2019 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	-	60 431
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:	2018 R	2017 R
Liabilities: (Gain) / loss	-420	-37 795
		2016 R
		-120 652

	2020 R	2019 R
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**12.3 Provision for Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans. As at year end, 560 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R1 173 332 whereas the Interest Cost for the next year is estimated to be R1 146 000.

	2020 %	2019 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	7,18%	8,10%

        General Salary Inflation (long-term)

        Net Effective Discount Rate applied to salary-related Long Service Bonuses

        3,87%

        5,53%

        3,19%

        2,44%

        2020  
R

        2019  
R

	2020 R	2019 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations - Garden Route	8 706 000	9 079 043
Present value of fund obligations - Roads	6 202 000	6 131 718
Net liability/(asset)	<u>14 908 000</u>	<u>15 210 761</u>

	2020 R	2019 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	15 210 761	14 673 271
Total expenses	375 458	(92 132)
Current service cost	1 173 332	898 460
Interest Cost	1 154 538	1 156 474
Benefits Paid	(1 952 412)	(2 147 066)
Actuarial (gains)/losses	(678 219)	629 622
Present value of fund obligation at the end of the year	<u>14 908 000</u>	<u>15 210 761</u>

	2020 R	2019 R
<b>Sensitivity Analysis on the Accrued Liability on 30 June 2020</b>		

	Change	Liability (Rm)	% change
<b>Assumption</b>			
Central assumptions		14,908	
General salary inflation	1%	15,912	7%
General salary inflation	-1%	14,008	-6%
Discount rate	1%	13,987	-6%
Discount rate	-1%	15,951	7%
Average retirement age	2 yrs	16,633	12%
Average retirement age	-2 yrs	13,327	-11%
Withdrawal rates	x2	12,237	-18%
Withdrawal rates	x0,5	16,802	13%

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020**

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	1 173 300	1 154 500	2 327 800

The effect of movements in the assumptions are as follows:

	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Assumption</b>				
General Earnings inflation	1%	1 287 000	1 239 200	9%
General Earnings inflation	-1%	1 073 700	1 078 500	-8%
Discount rate	1%	1 079 400	1 208 700	-2%
Discount rate	-1%	1 282 300	1 090 300	2%
Average retirement age	+2 yrs	1 299 100	1 326 200	13%
Average retirement age	-2 yrs	1 067 300	1 040 800	-9%
Withdrawal Rate	x0,5	1 449 700	1 319 800	19%

	2020 R	2019 R
Experience adjustments were calculated as follows:		

Liabilities: (Gain) / loss

–

82,502

	2018 R	2017 R	2016 R
Liabilities: (Gain) / loss	1 325,309	864 660	528 031

	2020 R	2019 R
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**12.4 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)**

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100,7% (30 June 2018 - 103,7%).

Contributions paid recognised in the Statement of Financial Performance.

**CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)**

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100,3% (30 June 2018 - 100,4%).

Contributions paid recognised in the Statement of Financial Performance.

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

**12.5 Employee Benefits Receivable**

Department of Transport: Roads - Post Employment Health Care Benefits (Note 12.1) - At amortised cost	50 600 000	57 004 161
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 12.2) - At amortised cost	435 702	436 234
Department of Transport: Roads - Long Service Awards (Note 12.3) - At amortised cost	6 202 000	6 131 718
<b>Less:</b> Current portion transferred to current employee benefits receivable		
Department of Transport: Roads - Post Employment Health Care Benefits (Note 12.1) - At amortised cost	57 237 702	63 572 113
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 12.2) - At amortised cost	4 293 176	3 866 922
Department of Transport: Roads - Long Service Awards (Note 12.3) - At amortised cost	895 000	646 440
<b>Total</b>	<b>52 944 526</b>	<b>59 705 191</b>

**DEPARTMENT OF TRANSPORT: ROADS**

The Employee Benefits: Roads Receivable relates to the provision for post-retirement health benefits, long service awards and ex-gratia pension benefits made in respect of employees directly appointed for Roads Function performed on behalf of the Provincial Administration: Western Cape.

In terms of the agreement between the Western Cape Provincial Government and past practice, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor. The carrying amount of these assets approximates their fair value.

A technical query has been lodged with the Office of the Auditor General, National Treasury and Provincial Treasury with regards to the ownership of the post employment benefits of the Roads' Function.

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

	2020 R	2019 R
<b>13. CURRENT EMPLOYEE BENEFITS</b>		
Performance Bonuses	1 131 246	932 780
Staff Bonuses	3 924 019	3 601 879
Roads - Staff Bonuses	2 745 281	2 486 699
Staff Leave	13 904 229	13 566 382
Roads - Staff Leave	8 735 747	7 048 752
Current Portion of Non-Current Provisions	10 251 072	9 518 895
Current Portion of Post Retirement Benefits - Note 12	7 701 000	7 446 411
Current Portion of Ex-Gratia Pension Provisions - Note 12	120 072	120 072
Current Portion of Long-Service Provisions - Note 12	2 430 000	1 952 412
<b>Total Provisions</b>	<b>40 691 594</b>	<b>37 155 387</b>
The movement in current provisions are reconciled as follows:		
<b>13.1 Performance Bonuses</b>		
Balance at beginning of year	932 780	432 599
Contribution to current portion	1 131 246	1 202 878
Expenditure incurred	(932 780)	(702 697)
Balance at end of year	<b>1 131 246</b>	<b>932 780</b>
Performance bonuses are being paid to the Municipal Manager and Five Section 57 Executive Managers, who were appointed on contract for part of the year, before being permanently appointed (Municipal Manager is appointed on a 5 year Contract) after an evaluation of performance by the council.		
<b>13.2 Staff Bonuses</b>		
Balance at beginning of year	3 601 879	3 207 620
Contribution to current portion	6 691 710	6 004 290
Expenditure incurred	(6 369 570)	(5 610 032)
Balance at end of year	<b>3 924 019</b>	<b>3 601 879</b>
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<b>13.3 Roads - Staff Bonuses</b>		
Balance at beginning of year	2 486 699	2 265 123
Contribution to current portion	4 453 397	3 972 131
Expenditure incurred	(4 194 815)	(3 750 555)
Balance at end of year	<b>2 745 281</b>	<b>2 486 699</b>
Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		
<b>13.4 Staff Leave</b>	2020 R	2019 R
Balance at beginning of year	13 566 382	10 425 847
Contribution to current portion	1 305 554	3 992 486
Expenditure incurred	(967 706)	(851 952)
Balance at end of year	<b>13 904 229</b>	<b>13 566 382</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<b>13.5 Roads - Staff Leave</b>		
Balance at beginning of year	7 048 752	6 856 658
Contribution to current portion	2 338 571	705 123
Expenditure incurred	(651 576)	(513 029)
Balance at end of year	<b>8 735 747</b>	<b>7 048 752</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		

	2020 R	2019 R
<b>14. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade Payables	8 441 543	11 848 245
Balance previously reported	12 811 312	(963 067)
Correction of Creditor Provision - Note 41.2	518 682	1 247 483
Advance Payments		
Balance previously reported	1 051 686,26	195 797
Correction of incorrect income allocations to consumer deposits - Note 41.2	932 930	381 915
Control, Clearing and Interface Accounts		
Balance previously reported	- 715 527	(333 611)
Correction of GRV Suspense O/B - Note 41.2	-	(7 286)
Other Payables		
Balance previously reported	6 482 391	4 493 762
Correction of accruals coming from previous financial system - Note 41.2	5 958 077	(602 645)
Correction of VAT Output Suspense on incorrect levies - Note	5 182 610	(7 286)
Correction of Provision for Workmen Compensation - Note 41.2	21 635 206	(854 383)
Retentions	77 050	-
Roads - Provision for Leave days paid	-	208 651
Roads - Other creditors	-	9 810 044
<b>Total Trade Payables</b>	<b>21 635 206</b>	<b>27 990 101</b>

Payables are being recognised net of any discounts.

Payables are payable within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

**15. UNSPENT TRANSFERS AND SUBSIDIES**

Unspent Transfers and Subsidies	5 207 020	6 123 872
National Government Grants	2 569 000	218 369
Provincial Government Grants	2 638 020	5 905 503
Balance previously reported	6 382 753	(477 250)
Correction of unspent portion in previous financial year - Note 41.3	-	-
Other Sources	-	292 606
Balance previously reported	(2)	(292 505)
Correction of LG SETA - Note 41.3	-	-
<b>Less:</b> Unpaid Transfers and Subsidies	<b>(2)</b>	<b>-</b>
National Government Grants	(2)	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Unspent Transfers and Subsidies</b>	<b>5 207 018</b>	<b>6 123 873</b>

See Appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

**16. TAXES**

**16.1 VAT Payable**

<b>Total VAT Payable</b>	<b>-</b>	<b>-</b>
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16.2 VAT Receivable	2 148 046	3 278 029
<b>Total VAT Receivable</b>	<b>2 148 046</b>	<b>3 278 029</b>
<b>16.3 Net VAT (Payable)/Receivable</b>	<b>2 148 046</b>	<b>3 278 029</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**17. SHORT-TERM BORROWINGS**

The Municipality has no short term borrowings.

**18. NET ASSET RESERVES**

RESERVES

    Capital Replacement Reserve  
    Employee Benefit Reserve

**Total Net Asset Reserve and Liabilities**

65 285 356	31 325 892
31 856 144	31 325 892
33 429 212	-

65 285 356

**31 325 892**

18.1 The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

18.2 The Employee Benefits Reserve is used to finance future payment of post retirement employee benefits.

	2020 R	2019 R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Government Grants and Subsidies - Operating		
Equitable Share	157 370 000	151 237 120
Expanded Public Works Programme Integrated Grant	1 629 000	1 021 000
Rural Road Asset Management Systems Grant	-	2 206 630
Local Government Financial Management Grant	1 000 000	1 000 000
Municipal Disaster Grant	2 097 288	7 902 712
Integrated Transport Planning	-	1 209 513
Balance previously reported	77 322	(77 322)
Correction of LG SETA - Note 41.3	-	-
Safety Plan Implementation - (WOSA)	1 677 411	-
MDRG	268 000	-
LG Humanitarian Relief Grant	100 000	-
Financial Management Support	3 607 656	1 757 301
Balance previously reported	1 280 051	-
Correction of unspent portion in previous financial year - Note 41.3	477 250	-
Fire Services Capacity Building Grant	1 685 027	-
<b>Total Government Grants and Subsidies</b>	<b>169 434 382</b>	<b>166 334 275</b>
Included in above are the following grants and subsidies received:		
<b>Unconditional</b>	157 370 000	151 237 120
Equitable Share	157 370 000	151 237 120
<b>Conditional</b>	11 365 900	20 119 000
Local Government Financial Management Grant	1 000 000	1 000 000
Expanded Public Works Programme Integrated Grant	1 629 000	1 021 000
Rural Road Asset Management Systems Grant	2 569 000	2 425 000
Municipal Disaster Grant	-	10 000 000
Integrated Transport Planning	900 000	900 000
Financial Management Support	3 519 900	2 090 000
Fire Services Capacity Building Grant	1 300 000	1 483 000
Safety Plan Implementation - (WOSA)	268 000	1 200 000
MDRG	80 000	-
Local Government Internship Grant	100 000	-
LG Humanitarian Relief Grant	-	-
Balance previously reported	224 390	(224 390)
Correction of LG SETA - Note	-	-
<b>Total Government Grants and Subsidies</b>	<b>168 735 900</b>	<b>171 356 120</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Executive and council	169 434 383	166 334 275
Balance previously reported	165 857 025	477 250
Correction of unspent portion in previous financial year - Note	-	-
Finance and administration	-	77 322
Balance previously reported	(77 322)	-
Correction of unspent portion in previous financial year - Note	-	-
<b>Total Government Grants and Subsidies</b>	<b>169 434 383</b>	<b>166 334 275</b>

Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.

		2020 R	2019 R
<b>19.1</b>	<b><u>Equitable Share</u></b>		
Opening balance		157 370 000	151 237 120
Grants received		(157 370 000)	(151 237 120)
Conditions met - Operating		-	-
Conditions still to be met		-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.			
<b>19.2</b>	<b><u>Local Government Financial Management Grant</u></b>		
Opening balance		(1)	(1)
Grants received		1 000 000	1 000 000
VAT on Grants		-	-
Conditions met - Operating		(1 000 000)	(1 000 000)
Conditions still to be met		(1)	(1)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).			
<b>19.3</b>	<b><u>Energy Efficiency and Demand Side Management</u></b>		
Opening balance		-	4 987 120
Grants received		-	-
VAT on Grants		-	-
Repaid to National Revenue Fund		-	(4 987 120)
Conditions met - Operating		-	-
Conditions still to be met		-	-
Grant utilised for energy efficiency investigation within the region.			
<b>19.4</b>	<b><u>LGESTA:Re-imbursements</u></b>		
Opening balance		-	145 438
Correction of Error		-	(292 505)
Grants received		-	224 390
VAT on Grants		-	-
Repaid to National Revenue Fund		-	-
Conditions met - Operating		-	(77 324)
Conditions still to be met		-	-
Grant is utilised for training purposes of municipal staff.			
<b>19.5</b>	<b><u>Safety Plan Implementation - (WOSA)</u></b>		
Opening balance		1 200 000	-
Grants received		1 300 000	1 200 000
VAT on Grants		(133 668)	-
Conditions met - Operating		(1 543 743)	-
Conditions still to be met		822 589	1 200 000
Grant utilised for the operationalisation of a Safety Plan.			
<b>19.6</b>	<b><u>Expanded Public Works Programme Integrated Grant</u></b>		
Opening balance		-	-
Grants received		1 629 000	1 021 000
VAT on Grants		-	-
Conditions met - Operating		(1 629 000)	(1 021 000)
Conditions still to be met		-	-
The grant is utilised for job creation.			

	2020 R	2019 R
<b>19.7 <u>Financial Management Support</u></b>		
Opening balance	332 700	78 213
Grants received	3 519 900	2 090 000
VAT on Grants	(323 849)	(144 893)
Repaid to National Revenue Fund	-	(78 213)
Conditions met - Operating	(3 237 664)	(1 197 407)
Conditions met - Capital	(46 143)	(415 000)
Conditions still to be met	<b>244 944</b>	<b>332 700</b>
Grant utilised to fund various projects that promote capacity building and financial sustainability.		
<b>19.8 <u>MDRG</u></b>		
Opening balance	-	-
Grants received	268 000	-
VAT on Grants	(22 500)	-
Conditions met - Operating	(245 500)	-
Conditions still to be met	<b>-</b>	<b>-</b>
Grant utilised to provide disaster relief.		
<b>19.9 <u>Local Government Internship Grant</u></b>		
Opening balance	-	-
Grants received	80 000	-
VAT on Grants	-	-
Conditions met - Operating	-	-
Conditions still to be met	<b>80 000</b>	<b>-</b>
Grant utilised to provide young unemployed graduates with opportunities to gain practical experience.		
<b>19.10 <u>Integrated Transport Planning</u></b>		
Opening balance	590 488	900 000
Grants received	900 000	900 000
VAT on Grants	-	(157 763)
Conditions met - Operating	-	(1 051 750)
Conditions still to be met	<b>1 490 488</b>	<b>590 488</b>
Grant utilised to review and update integrated transport plans to improve public transport services.		
<b>19.11 <u>Municipal Disaster Grant</u></b>		
Opening balance	2 097 288	1 386 000
Grants received	-	10 000 000
VAT on Grants	(192 553)	-
Repaid to National Revenue Fund	-	(1 386 000)
Conditions met - Operating	-	(7 902 712)
Conditions met - Capital	(1 904 735)	-
Conditions still to be met	<b>-</b>	<b>2 097 288</b>
Grant utilised to provide disaster relief.		
<b>19.12 <u>Fire Services Capacity Building Grant</u></b>		
Opening balance	1 685 027	202 027
Grants received	-	1 483 000
VAT on Grants	(154 703)	-
Conditions met - Operating	-	-
Conditions met - Capital	(1 530 324)	-
Conditions still to be met	<b>-</b>	<b>1 685 027</b>
Grant utilised to improve fire services capacity.		
<b>19.13 <u>Rural Road Asset Management Systems Grant</u></b>		
Opening balance	218 370	-
Grants received	2 569 000	2 425 000
VAT on Grants	-	(272 006)
Repaid to National Revenue Fund	(218 370)	-
Conditions met - Operating	-	(1 934 624)
Conditions still to be met	<b>2 569 000</b>	<b>218 370</b>
Grant utilised to ensure efficient and effective investment in municipal roads through RRAMS and data collection.		
<b>19.14 <u>LG Humanitarian Relief Grant</u></b>		
Opening balance	-	-
Grants received	100 000	-
VAT on Grants	-	-
Conditions met - Operating	(100 000)	-
Conditions still to be met	<b>-</b>	<b>-</b>
Grant utilised to provide COVID-19 pandemic relief.		
<b>19.15 <u>Total Grants</u></b>		
Opening balance	6 123 872	7 698 797
Correction of Error	-	(292 505)
Grants received	168 735 900	171 580 510
VAT on Grants	(827 273)	(512 411)
Repaid to National Revenue Fund	(218 370)	(6 451 333)
Conditions met - Operating	(165 125 907)	(165 421 936)
Conditions met - Capital	(3 481 202)	-
Conditions still to be met/(Grant expenditure to be recovered)	<b>5 207 020</b>	<b>6 601 122</b>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	5 207 020	6 893 627
Unpaid Conditional Government Grants and Receipts	(2)	-
<b>Total</b>	<b>5 207 018</b>	<b>6 893 627</b>

		2020 R	2019 R
<b>20</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
	Public Contributions - Conditional	-	339 711
	<b>Total Public Contributions and Donations</b>	<u><u>-</u></u>	<u><u>339 711</u></u>
	<b>Reconciliation of conditional contributions:</b>		
<b>20.1</b>	<b>Knysna Relief Fund</b>		
	Opening balance	-	339 711
	Conditions met - Operating	-	(339 711)
	Conditions still to be met	-	-
	<i>Fund opened for the relief of Knysna Fire victims and funded through donations of the public.</i>		
<b>20.2</b>	<b>Total Conditional Contributions</b>		
	Opening balance	-	339 711
	Conditions met - Operating	-	(339 711)
	Conditions still to be met	-	-
<b>21</b>	<b>CONTRIBUTED PROPERTY, PLANT AND EQUIPMENT</b>		
	Contributed Property, Plant and Equipment - Business Engineering (Pty) Ltd	35 000	-
	<b>Total Contributed Property, Plant and Equipment</b>	<u><u>35 000</u></u>	<u><u>-</u></u>
<b>22</b>	<b>LICENCES AND PERMITS</b>		
	Health Certificates	84 742	484 416
	<b>Total Licences and Permits</b>	<u><u>84 742</u></u>	<u><u>484 416</u></u>
	<b>Disclosed as follows:</b>		
	Revenue from Non-Exchange Transactions	-	-
	Revenue from Exchange Transactions	84 742	484 416
	<b>Total Licences and Permits</b>	<u><u>84 742</u></u>	<u><u>484 416</u></u>
<b>23</b>	<b>DEPARTMENT OF TRANSPORT - ROADS SERVICE CHARGES</b>		
	Department of Transport - Roads Service Charges	140 973 622	175 079 896
	Income for admin services	17 212 925	17 243 706
	<b>Total Service Charges</b>	<u><u>158 186 547</u></u>	<u><u>192 323 602</u></u>
<b>24</b>	<b>SALES OF GOODS AND RENDERING OF SERVICES</b>		
	Camping Fees	6 334 516	8 688 260
	Development Charges	424 355	1 023 231
	Entrance Fees	206 451	174 925
	Fire Services	3 858 179	10 590 055
	Balance previously reported	10 615 504	
	Correction of incorrect levies made - Note 41.11	(25 448)	
	Health Services	393 430	450 297
	Sale of Goods	46 219	620 423
	<b>Total Sales of Goods and Rendering of Services</b>	<u><u>11 263 150</u></u>	<u><u>21 547 191</u></u>
<b>25</b>	<b>RENT ON LAND</b>		
	Land	846 378	610 859
	Undeveloped Land	846 378	610 859
	Balance previously reported	704 013	
	Correction of incorrect rental charge - Note 41.11	(93 153)	
	<b>Total Rent on Land</b>	<u><u>846 378</u></u>	<u><u>610 859</u></u>

GARDEN ROUTE DISTRICT MUNICIPALITY  
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	2020 R	2019 R
<b>26 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Investment Property	1 119 775	963 520
Balance previously reported		963 347
Correction of incorrect rental charge - Note 41.11		173
Property, Plant and Equipment	136 518	14 673
<b>Total Rental from Fixed Assets</b>	<b>1 256 293</b>	<b>978 193</b>
<b>27 INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	1 704 977	4 439 589
Financial assets	11 434 971	7 866 674
<b>Total Interest Earned - External Investments</b>	<b>13 139 948</b>	<b>12 306 263</b>
<b>28 INTEREST EARNED - EXCHANGE TRANSACTIONS</b>		
Trade Receivables	3 243 852	2 394 997
Other Receivables		2 423 660
Balance previously reported		(28 663)
Correction of incorrect interest raised - Note 41.11		59 237
Roads Function - Interest earned - Exchange Transactions		18 527
Balance previously reported		-
Correction of incorrect interest raised - Note 41.11		18 527
<b>Total Interest Earned - Outstanding Receivables</b>	<b>3 303 089</b>	<b>2 413 524</b>
<b>29 OPERATIONAL REVENUE</b>		
Administrative Handling Fees	465 973	295 946
Commission	23 004	21 100
Incidental Cash Surpluses	-	23
Insurance Refund	37 757	10 517
Staff Recoveries	338 355	786 484
Skills Development Levy Refund	382 497	224 390
Balance previously reported		-
Correction of error - LG SETA funding - Note 41.11		224 390
<b>Total Operational Revenue</b>	<b>1 247 586</b>	<b>1 338 460</b>
<b>30 EMPLOYEE RELATED COSTS</b>		
Roads Function - Employee Related Costs	87 227 683	81 270 944
Basic Salaries and Wages	53 181 460	50 078 430
Pension and UIF Contributions	9 661 121	8 921 262
Medical Aid Contributions	7 622 217	7 354 670
Overtime	2 001 599	2 236 748
Bonuses	4 582 603	4 332 076
Motor Vehicle Allowance	1 491 132	1 576 306
Cell Phone Allowance	45 000	51 650
Housing Allowances	1 148 073	1 013 673
Other benefits and allowances	907 182	693 315
Payments in lieu of leave	2 364 576	1 243 348
Workmen's Compensation Fund	785 338	493 218
Post-retirement Benefit Obligations	3 437 383	3 276 246
Basic Salaries and Wages	92 293 781	86 252 770
Pension and UIF Contributions	17 299 478	15 546 340
Medical Aid Contributions	9 059 932	8 376 792
Overtime	2 411 193	3 815 620
Bonuses	8 269 427	6 779 281
Motor Vehicle Allowance	7 198 398	6 950 632
Cell Phone Allowance	196 585	196 640
Housing Allowances	1 492 561	1 286 143
Other benefits and allowances	4 633 328	883 175
Payments in lieu of leave	1 203 162	4 217 887
Workmen's Compensation Fund	1 248 254	583 823
Balance previously reported		739 828
Correction of error - workmen's compensation expenses incorrectly processed - Note 41.11		(156 005)
Post-retirement Benefit Obligations	4 393 373	4 483 649
<b>Total Employee Related Costs</b>	<b>236 927 154</b>	<b>220 643 697</b>

30	EMPLOYEE RELATED COSTS (CONTINUED)	2020	2019
	KEY MANAGEMENT PERSONNEL	R	R

Key management personnel are appointed permanently, except for the municipal manager who is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of his/her term.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager - Mr MG Stratu*

	12 Months	12 Months
Basic Salary	1 694 838	1 567 764
Pension and UIF Contributions	144 553	137 784
Medical Aid Contributions	51 269	50 618
Performance Bonus	289 692	270 740
Motor Vehicle Allowance	312 958	312 958
Cell Phone Allowance	108 000	108 000
Other benefits and allowances	21 185	7 800
Payments in lieu of leave	67 825	100 880
<b>Total</b>	<b>2 690 319</b>	<b>2 556 544</b>

*Remuneration of Executive Manager Finance - Miss L Hoek*

	5 Months
Basic Salary	-
Pension and UIF Contributions	-
Medical Aid Contributions	-
Annual Bonus	-
Overtime	-
Motor Vehicle Allowance	-
Cell Phone Allowance	-
Other benefits and allowances	-
<b>Total</b>	<b>648 869</b>

*Remuneration of Acting Executive Manager Finance - Mr J Stander*

	3 Months
Basic Salary	-
Pension and UIF Contributions	-
Medical Aid Contributions	-
Motor Vehicle Allowance	-
Housing Allowances	-
Other benefits and allowances	-
<b>Total</b>	<b>311 575</b>

*Remuneration of Executive Manager Finance - Mr JVH de Jager*

	12 Months	4 Months
Basic Salary	911 935	279 597
Pension and UIF Contributions	165 933	50 922
Medical Aid Contributions	53 908	16 873
Annual Bonus	38 000	-
Performance Bonus	64 978	-
Motor Vehicle Allowance	180 000	60 000
Housing Allowances	120 000	40 000
Other benefits and allowances	21 370	2 801
<b>Total</b>	<b>1 556 124</b>	<b>450 193</b>

*Remuneration of the Executive Manager Corporate Services - Mrs B Holtzhausen*

	12 Months	12 Months
Basic Salary	1 147 429	1 068 337
Pension and UIF Contributions	208 322	209 714
Medical Aid Contributions	-	31 331
Annual Bonus	33 000	-
Performance Bonus	197 352	177 976
Motor Vehicle Allowance	112 423	112 423
Other benefits and allowances	12 712	19 359
Payments in lieu of leave	-	-
<b>Total</b>	<b>1 711 238</b>	<b>1 619 139</b>

*Remuneration of the Executive Manager Community Services - Mr C Africa*

	2020	2019
	R	R
	12 Months	12 Months
Basic Salary	1 012 957	957 246
Pension and UIF Contributions	184 117	170 737
Medical Aid Contributions	53 908	50 261
Annual Bonus	186 357	174 448
Performance Bonus	72 600	72 600
Motor Vehicle Allowance	84 000	84 000
Housing Allowances	21 312	9 306
Other benefits and allowances	-	-
<b>Total</b>	<b>1 615 251</b>	<b>1 518 597</b>

*Remuneration of the Executive Manager Roads - Mr JC Ottervanger*

	12 Months
Basic Salary	-
Pension and UIF Contributions	-
Medical Aid Contributions	-
Annual Bonus	-
Motor Vehicle Allowance	-
Cell Phone Allowance	-
Housing Allowances	-
Other benefits and allowances	-
Payments in lieu of leave	-
<b>Total</b>	<b>523 487</b>

	2020 R	2019 R	12 Months	7 Months
<b>Remuneration of the Executive Manager Roads - Mr JG Daniels</b>				
Basic Salary	955 486	708 979		
Pension and UIF Contributions	186 705	107 854		
Medical Aid Contributions	32 605	21 624		
Annual Bonus	-	-		
Performance Bonus	130 847	-		
Motor Vehicle Allowance	207 000	96 000		
Housing Allowances	110 000	-		
Other benefits and allowances	11 183	5 315		
<b>Total</b>	<b>1 633 825</b>	<b>939 772</b>		
<b>Remuneration of Executive Manager: Planning and Economic Development – Mr L Menze</b>				
Basic Salary	926 958	765 326		
Pension and UIF Contributions	168 637	136 366		
Medical Aid Contributions	50 033	45 846		
Performance Bonus	194 401	79 533		
Motor Vehicle Allowance	144 000	144 000		
Housing Allowances	180 000	180 000		
Other benefits and allowances	26 448	15 117		
<b>Total</b>	<b>1 690 477</b>	<b>1 366 187</b>		
<b>31 REMUNERATION OF COUNCILLORS</b>				
Councillor -T Fortuin	344 424	360 601		
Councillor - NF Kamte	375 735	363 910		
Councillor - MP Mapitza	375 735	363 910		
Councillor - CN Lichaba	469 614	452 210		
Councillor - T van Rensburg	66 088	114 295		
Councillor - RE Spies	829 647	799 445		
Alderlady -T Teysi	68 865	66 380		
Councillor - KS Lose	829 647	801 405		
Councillor - D Saayman	375 735	362 991		
Councillor - BN van Wyk	375 735	362 978		
Councillor - AJ Rossouw	375 735	359 771		
Councillor - I Stemela	479 212	504 291		
Councillor - EH Stroebel	68 865	67 001		
Councillor - RS Figland	72 163	41 591		
Alderman - V Gericke	169 208	150 806		
Alderman - BHJ Groenewald	508 379	312 697		
Councillor - E Meyer	533 217	513 493		
Alderlady - RH Ruiters	592 451	563 830		
Councillor - JJC Lambaatsjeen	533 217	514 756		
Councillor - RR Wildschut	79 305	76 861		
Councillor - K Windvogel	79 296	77 039		
Councillor - L Tykolo	79 305	77 039		
Councillor - MV Molosi	-	6 038		
Councillor - SM Odendaal	-	33 135		
Councillor - IT Mangaliso	79 296	77 039		
Councillor - NC Jacob	56 707	77 039		
Alderman - M Booyens	1 120 721	1 059 723		
Councillor - SF May	375 735	362 991		
Councillor - SS Mbandezi	79 305	77 039		
Alderman - PJ van der Hoven	68 865	67 001		
Councillor - D Xego	64 710	363 717		
Alderman - SF de Vries	469 614	454 439		
Councillor - JP Johnson	550 556	530 165		
Councillor - ASM Windvogel	79 305	72 461		
Alderlady - JL Hartnick	375 735	271 727		
Councillor - N Tsengwa	37 840	59 127		
Councillor - NV Gungubele	274 731	-		
Alderlady - GR Wilmarsans	48 584	-		
Councillor - D Pofadder	21 105	-		
Councillor - WT Harris	20 874	-		
Councillor - I Fry	18 512	-		
Councillor - G Boezak	9 167	-		
Alderlady - IC Kritzinger	28 949	-		
Councillor - X Matyila	4 626	-		
Councillor - ERJ Bouw Spies	-	234 359		
<b>Total Councillors' Remuneration</b>	<b>11 466 616</b>	<b>11 053 302</b>		

Remuneration paid to Councillors can be summarised as follows:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	247 995	261 749	534 402	76 574	1 120 721
Deputy-Mayor	525 605	39 562	27 284	-	592 451
Speaker	341 002	87 836	20 400	59 141	508 379
Executive Committee Members	2 595 317	639 019	318 083	232 026	3 784 445
Councillors	3 593 690	595 837	916 292	354 799	5 460 619
<b>Total Councillors' Remuneration</b>	<b>7 303 610</b>	<b>1 624 004</b>	<b>1 816 462</b>	<b>722 540</b>	<b>11 466 616</b>
<i>In-kind Benefits</i>					

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost.

**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
		R	R
<b>32</b>	<b>BAD DEBTS WRITTEN OFF</b>		
	Roads Function: Bad debts written off	316 016	-
	Bad Debts Written Off	4 078 288	3 994 605
		<u><u>4 394 304</u></u>	<u><u>3 994 605</u></u>
<b>33</b>	<b>CONTRACTED SERVICES</b>		
	Roads Function: Contracted Services	4 672 871	4 823 281
	Outsourced Services	677 222	696 494
	Consultants and Professional Services	27 360	40 550
	Contractors	3 968 289	4 086 237
	Outsourced Services	2 585 429	6 809 378
	Balance previously reported	6 845 002	(35 624)
	Correction of expenditure incorrectly accounted for - refer Note 41.11	8 480 727	8 716 298
	Consultants and Professional Services	5 908 309	12 289 716
	Contractors		
	<b>Total Contracted Services</b>	<u><u>21 647 337</u></u>	<u><u>32 638 673</u></u>
<b>34</b>	<b>DEPRECIATION AND AMORTISATION</b>		
	Property, Plant and Equipment	4 423 264	3 669 875
	Balance previously reported	3 682 412	
	Correction of assets recognised for the first time	14 650	
	Correction of assets with negative carrying value	139	
	Correction of revised useful lives	(18 219)	
	Correction of assets previously disposed now found	(9 107)	
	Intangible Assets	316 818	241 806
	Balance previously reported	239 030	
	Correction of revised useful lives	2 776	
	Investment Property carried at cost	111 866	111 867
	<b>Total Depreciation and Amortisation</b>	<u><u>4 851 948</u></u>	<u><u>4 023 549</u></u>
<b>35</b>	<b>FINANCE COSTS</b>		
	Long-term Borrowings	36 703	121 343
	Payables	887	6 064
	<b>Total Finance Costs</b>	<u><u>37 591</u></u>	<u><u>127 408</u></u>
<b>36</b>	<b>TRANSFERS AND SUBSIDIES</b>		
	Roads Function: Transfers and Subsidies	1 821 920	938 418
	Operational	1 821 920	938 418
	Allocations In-Kind	1 821 920	938 418
	Households		
	Monetary Allocations		
	Households	1 376 979	1 417 183
	Non-profit Institutions	396 194	608 530
	Provincial Government	396 194	608 530
		980 785	808 653
		350 000	468 696
		630 785	39 958
		-	300 000
	<b>Total Transfers and Subsidies</b>	<u><u>3 198 899</u></u>	<u><u>2 355 601</u></u>

	2020 R	2019 R
<b>37 OPERATIONAL COSTS</b>		
Roads Function Operational Costs		
Advertising, Publicity and Marketing	12 616 348	12 718 744
Bank Charges, Facility and Card Fees	53 071	262 355
Cleaning Services	15 102	54 719
Communication	185 215	6 206
Entertainment	555 270	775 437
External Computer Service	7 308	10 364
Hire Charges	-	776 822
Learnerships and Internships	3 145 324	-
Licences	188 298	325 797
Municipal Services	27 877	29 859
Printing, Publications and Books	1 248 502	939 252
Professional Bodies, Membership and Subscription	324 292	384 748
Registration Fees	638 930	700 000
Repayment of Forfeited Deposits	26 163	6 178
Travel and Subsistence	-	979
Uniforms and Protective Clothing	3 549 774	8 031 418
	838 914	414 610
Achievements and Awards	160 382	-
Advertising, Publicity and Marketing	561 428	2 036 011
Asset less than the Capitalisation Threshold	-	135 241
Audit Fees	1 748 805	2 815 773
Bank Charges, Facility and Card Fees	96 971	214 348
Bursaries (Employees)	637 252	273 476
Cleaning Services	152 553	309 153
Courier and Delivery Services	27 490	28 496
Communication	2 524 158	2 640 280
Balance previously reported		2 835 187
Correction of incorrect expenditure reported - refer Note 41.11		(194 907)
Deeds	6 166	32 104
Drivers Licences and Permits	38 623	217 019
Entrance Fees	29 963	-
Entertainment	18 540	20 727
External Computer Service	2 611 690	2 327 720
Full Time Union Representative	78 958	-
Hire Charges	971 180	985 829
Insurance Underwriting	1 891 699	896 901
Learnerships and Internships	778 627	5 508
Licences	773 453	51 254
Municipal Services	3 661 203	3 909 904
Balance previously reported		3 816 048
Correction of provision for creditors - Note 40.1 and 40.3		93 856
Printing, Publications and Books	95 831	139 677
Professional Bodies, Membership and Subscription	1 879 243	1 286 687
Registration Fees	876 569	847 767
Balance previously reported		828 667
Correction of provision for creditors - Note 40.1 and 40.3		19 100
Repayment of Forfeited Deposits		-
Rewards Incentives	46 235	159 360
Samples and Specimens	1 133 241	4 884
Skills Development Fund Levy	966 513	1 051 218
Travel and Subsistence	4 214 204	1 077 354
Balance previously reported		5 237 612
Correction of provision for creditors - Note 40.1 and 40.3		-
Uniform and Protective Clothing	329 317	5 640 149
Vehicle Tracking	768	(402 538)
Wet Fuel	365	576 666
<b>Total Operational Costs</b>	<b>38 927 775</b>	<b>40 225 404</b>
<b>38 REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES</b>		
Receivables from Exchange Transactions - Note 8	(3 846 210)	(8 429 084)
Balance previously reported		(8 560 292)
Correction of impairment on incorrect levies made - Note 41.1 and 41.11		131 208
Roads Function - Receivables from Exchange Transactions - Note 8	(377 368)	-
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables</b>	<b>(4 223 578)</b>	<b>(8 429 084)</b>
<b>39 GAINS/ (LOSS) ON SALE OF FIXED ASSETS</b>		
Property, Plant and Equipment and Intangible Assets	(187 070)	536 688
Balance previously reported		517 979
Correction of assets previously disposed now found - Note 41.5 and 41.11		18 709
Investment Property	-	1 670 789
<b>Total Gains/ (Loss) on Sale of Fixed Assets</b>	<b>(187 070)</b>	<b>2 207 477</b>
<b>40 REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS</b>		
Investment Property	(29 274 822)	4 774 987
Property, Plant and Equipment	(1 119 165)	10 962 942
Balance previously reported		14 054 347
Correction of impairment loss on land - refer Note 41.6 and 41.11		(3 091 405)
<b>Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets</b>	<b>(30 393 987)</b>	<b>15 737 929</b>

		2020 R	2019 R
<b>41</b>	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
	The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
<b>41.1</b>	<b>Receivables from Exchange Transactions</b>		
	Balance previously reported	23 956 054	16 759 557
	Correction of incorrect levies made	(960 873)	(795 157)
	Correction of impairment on incorrect levies made	912 558	766 491
	Correction of error - roads integration correction on interest on exchange transactions	18 527	-
	Correction of error - roads integration correction on actuarial gains and losses	1 545 637	-
	Restated Balance	<u><u>25 471 903</u></u>	<u><u>16 730 891</u></u>
<b>41.2</b>	<b>Trade and Other Payables from Exchange Transactions</b>		
	Balance previously reported	30 555 297	15 533 418
	Correction of GRV Suspense account balance carried over from previous financial system	(333 611)	(333 611)
	Correction of Workmans Compensation accruals	(854 383)	(698 379)
	Correction of incorrect accruals brought in in previous years	(963 067)	(407 373)
	Correction of accruals coming from previous financial system	(602 645)	(602 645)
	Correction of VAT Output Suspense on incorrect levies made	(113 999)	(95 375)
	Correction of VAT Output Suspense on incorrect impairment	106 713	91 854
	Correction of incorrect income associations to Consumer Deposits	195 797	195 797
	Restated Balance	<u><u>27 990 101</u></u>	<u><u>13 683 685</u></u>
<b>41.3</b>	<b>Unspent Transfers and Subsidies</b>		
	Balance previously reported	6 893 628	8 038 509
	Correction of Financial Management Support Grant	(477 250)	-
	Correction of LG SETA funding	(292 505)	(145 438)
	Restated Balance	<u><u>6 123 873</u></u>	<u><u>7 893 071</u></u>
<b>41.4</b>	<b>Accumulated Surplus/(Deficit) - 1 July 2018</b>		2018
	Correction of GRV Suspense account balance carried over from previous financial system	(333 611)	
	Correction of properties previously disposed	2 540 000	
	Correction of incorrect income associations to Consumer Deposits	195 797	
	Correction of incorrect accruals brought in in previous years	(407 373)	
	Correction of accruals coming from previous financial system	(602 645)	
	Correction of first time recognition	(109 826)	
	Correction of assets with negative carrying value	(3 700)	
	Correction of revised useful lives	(33 838)	
	Correction of LG SETA funding	(145 438)	
	Correction of incorrect levies made	699 782	
	Correction of impairment on incorrect levies made	(674 636)	
	Correction of Workmans Compensation accruals	(698 379)	
	Total	<u><u>426 131</u></u>	
		2020 R	2019 R
<b>41.5</b>	<b>Property, Plant and Equipment - Cost</b>		
	Balance previously reported	348 858 845	345 208 974
	Correction of first time recognition	109 926	109 926
	Correction of assets with negative carrying value	3 815	3 815
	Correction of assets previously disposed now found	129 647	-
	Restated Balance	<u><u>349 102 133</u></u>	<u><u>345 322 615</u></u>
<b>41.6</b>	<b>Property, Plant and Equipment - Accumulated Depreciation and Impairment Losses</b>		
	Balance previously reported	(188 935 750)	(199 780 874)
	Correction of assets previously disposed now found	(101 944)	-
	Correction of first time recognition	(14 650)	-
	Correction of revised useful lives	31 602	13 383
	Correction of assets with negative carrying value	(254)	(115)
	Correction of impairment loss on land	(3 091 293)	-
	Restated Balance	<u><u>(192 112 288)</u></u>	<u><u>(199 767 606)</u></u>
<b>41.7</b>	<b>Investment Properties - Cost</b>		
	Balance previously reported	168 499 415	173 315 415
	Correction of assets previously disposed now found	(3 300 000)	(3 300 000)
	Restated Balance	<u><u>165 199 415</u></u>	<u><u>170 015 415</u></u>
<b>41.8</b>	<b>Investment Properties - Accumulated Depreciation and Impairment Losses</b>		
	Balance previously reported	(82 391 029)	(87 894 516)
	Correction of assets previously disposed now found	760 000	760 000
	Restated Balance	<u><u>(81 631 029)</u></u>	<u><u>(87 134 516)</u></u>
<b>41.9</b>	<b>Intangible Assets - Cost</b>		
	Balance previously reported	5 828 225	5 448 934
	Correction of revised useful lives	-	-
	Restated Balance	<u><u>5 828 225</u></u>	<u><u>5 448 934</u></u>
<b>41.10</b>	<b>Intangible Assets - Accumulated Amortisation and Impairment Losses</b>		
	Balance previously reported	(3 689 340)	(4 086 295)
	Correction of revised useful lives	17 678	20 455
	Restated Balance	<u><u>(3 671 661)</u></u>	<u><u>(4 065 840)</u></u>

**41.11 Changes to Statement of Financial Performance**

Movement on operating account as a result of GRAP standards not implemented, or not implemented correctly, in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Government Grants and Subsidies		165 934 347	399 928	166 334 275
Public Contributions and Donations		339 711	-	339 711
Actuarial Gains		-	37 211	37 211
Department of Transport - Roads Service Charges	192	323 602	-	192 323 602
Sales of Goods and Rendering of Services		21 572 639	(25 448)	21 547 191
Rent on Land		704 013	(93 153)	610 859
Rental of Facilities and Equipment		978 020	173	978 193
Interest Earned - External Investments		12 306 263	-	12 306 263
Interest Earned - Exchange Transactions		2 423 660	(10 136)	2 413 524
Licences and Permits from Exchange Transactions		484 416	-	484 416
Operational Revenue		1 114 071	224 390	1 338 460
<b>Total</b>		<b>398 180 740</b>	<b>532 964</b>	<b>398 713 704</b>
<b>Expenditure</b>				
Employee related costs		(220 799 701)	156 004	(220 643 697)
Remuneration of Councillors		(11 053 302)	-	(11 053 302)
Bad Debts Written Off		(3 994 605)	-	(3 994 605)
Contracted Services		(32 674 297)	35 624	(32 638 673)
Depreciation and Amortisation		(4 033 309)	9 760	(4 023 549)
Actuarial Losses		(1 508 425)	1 508 425	-
Finance Costs		(127 408)	-	(127 408)
Inventory Consumed		(78 190 579)	35 581	(78 154 999)
Operating Leases		(541 897)	-	(541 897)
Transfers and Subsidies		(2 355 601)	-	(2 355 601)
Operational Costs		(40 709 893)	484 489	(40 225 404)
<b>Total</b>		<b>(395 989 018)</b>	<b>2 229 883</b>	<b>(393 759 134)</b>
<b>Gains and Losses</b>				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		34 596	-	34 596
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(8 560 292)	131 208	(8 429 084)
Gains/(Loss) on Sale of Fixed Assets		2 188 768	18 709	2 207 477
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		18 829 335	(3 091 405)	15 737 929
<b>Total</b>		<b>12 492 407</b>	<b>(2 941 489)</b>	<b>9 550 918</b>
Net Surplus/(Deficit) for the year		<b>14 684 130</b>	<b>(178 642)</b>	<b>14 505 488</b>
		<b>2020 R</b>	<b>2019 R</b>	
<b>42 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>				
Surplus/(Deficit) for the year		(8 624 653)	14 505 488	
<b>Adjustments for:</b>				
Depreciation and Amortisation		4 851 948	4 023 549	
Loss/(Gain) on Sale of Fixed Assets		187 070	(2 207 477)	
Impairment Loss/(Reversal of Impairment Loss)		30 393 987	(15 737 929)	
Contributed Property, Plant and Equipment		(35 000)	-	
Government Grants and Subsidies received		168 735 900	171 356 120	
Government Grants and Subsidies repaid to National Revenue Fund		(218 370)	(6 451 333)	
Government Grants and Subsidies recognised as revenue		(169 434 382)	(166 334 275)	
Public Contributions recognised as revenue		-	(339 711)	
Contribution from/to provisions - Non-Current Employee Benefits		7 830 756	7 759 897	
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses		81 515	743 189	
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains		(26 497 437)	(780 401)	
Contribution from/to - Current Employee Benefits		2 804 031	4 448 644	
Contribution to provisions - Bad Debt		4 846 321	9 511 723	
Operating Surplus/(Deficit) before changes in working capital		14 921 687	20 497 485	
Changes in working capital		1 273 688	(7 172 974)	
Increase/(Decrease) in Operating Lease Liability			(13 658)	
(Increase)/Decrease in Operating Lease Asset			(51 116)	
Increase/(Decrease) in Trade and Other Payables		(6 354 895)	14 306 416	
Increase/(Decrease) in Taxes		1 129 984	(2 998 899)	
(Increase)/Decrease in Inventory		(488 722)	(162 981)	
(Increase)/Decrease in Trade Receivables from Exchange Transactions		6 998 615	(18 252 735)	
<b>Cash generated/(absorbed) by operations</b>		<b>16 195 374</b>	<b>13 324 511</b>	

**43 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following:

Current Accounts - Note 10		188 212 449	174 222 203
Cash Floats - Note 10		74 833	15 883
<b>Total cash and cash equivalents</b>		<b>188 287 282</b>	<b>174 238 085</b>

**44 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 43		188 287 282	174 238 085
<b>Less:</b>		(5 207 020)	(6 123 872)
Unspent Transfers and Subsidies - Note 15		(5 207 020)	(6 123 872)
Net cash resources available for internal distribution		183 080 262	168 114 214
Allocated to:			
Capital Replacement Reserve		(31 856 144)	(31 325 892)
Employee Benefit Reserve		(33 429 212)	
<b>Resources available for working capital requirements</b>		<b>117 794 907</b>	<b>136 788 321</b>

		2020 R	2019 R
<b>45</b>	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
	Long-term Liabilities - Note 11 Used to finance property, plant and equipment - at cost	391 265 (391 265)	726 702 (726 702)
	<b>Cash invested for repayment of long-term liabilities</b>	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		
<b>46</b>	<b>BUDGET INFORMATION</b>		
<b>46.1</b>	<b>Explanation of variances between approved and final budget amounts</b>		
	The reasons for the variances between the approved and final budgets are mainly due to increased expenditure on Roads due to exceptional performance from the applicable department, as well as differences in the split between current and non-current assets and liabilities when comparing budgeted to actual results.		
	<b>Explanation of variances greater than 10% and R500,000: Final Budget and Actual Amounts</b>		
<b>46.2</b>	<b>Statement of Financial Position</b>		
<b>46.2.1</b>	<b>Current Assets</b>	Variance	
	<i>Cash</i>	27,14%	
	Increased cash due to delayed expenditure of transfer from Western Cape Department of Transport and Public Works for the Roads function		
	<i>Consumer Debtors</i>	-100,00%	
	Actual reported under "Other Debtors" - refer below.		
	<i>Other Debtors</i>	590,17%	
	Collection of Receivables from Exchange Transactions significantly worse than expected, resulting in higher Debtors balance at year-end than what was included in budget.		
<b>46.2.2</b>	<b>Non-Current Assets</b>		
	<i>Employee Benefits</i>	-16,43%	
	Result from actuarial valuation for non-current portion of post-retirement benefits are lower than estimated at the time of the budget.		
	<i>Investment Property</i>	-37,03%	
	An independent valuation of Council property was performed in 2019/20. Due to gains recognised from a similar exercise in 2018/19, similar was budgeted for in 2019/20. The result from the valuation exercise included a significant impairment in value, causing an unexpected decrease in the carrying value of Investment Property when compared to the budget.		
<b>46.2.3</b>	<b>Current Liabilities</b>		
	<i>Trade and Other Payables</i>	-48,13%	
	Reduction in operations of the Roads function in the third and fourth quarter of the financial year (due to lockdown and COVID 19 disaster levels) resulted in lower trade payables at year-end than what was expected at the time of the budget.		
	<i>Provisions</i>	34,38%	
	Larger actual is offset by lower actual reported under the "Trade and Other Payables" detailed above. Budget split between these two current liabilities were different than what was reported in the actual. Net lower actual of two lines are explained by note under "Trade and Other Payables" detailed above.		
<b>46.2.4</b>	<b>Non-Current Liabilities</b>		
	<i>Borrowing</i>	-88,46%	
	Majority of the Telkom cellular device contracts ended February, this contract was extended with three months to enable the IT section to investigate alternative ways of communication in order to cut costs, and this resulted in the decrease in this liability when compared to budget.		
	<i>Provisions</i>	48,04%	
	Budget excluded post-retirement benefit liabilities for Roads staff as this is offset by an equal and opposite receivable - for the actual number, the Roads staff's liabilities are included.		
<b>46.2.5</b>	<b>Net Assets</b>		
	<i>Reserves</i>	106,94%	
	Included in the actuals is a new Employee Benefit Reserve (transferred from Accumulated Surplus) which was newly incorporated in the review and approval of the Funding and Reserve Policy.		
	<i>Accumulated Surplus/(Deficit)</i>	-21,02%	
	Included in the actuals is a new Employee Benefit Reserve (transferred from Accumulated Surplus) which was newly incorporated in the review and approval of the Funding and Reserve Policy. The actual also includes an unexpected impairment loss on Property Plant and Equipment and Investment Property from a valuation exercise performed by an independent valuer.		

**Statement of Financial Performance**

**46.2.6 Revenue (excluding capital transfers and contributions)**

*Service Charges - Refuse Revenue* -100,00%  
Due to delay in financial close of Regional Landfill Site PPP, budgeted revenue did not materialise.

*Rental of Facilities and Equipment* 38,06%

Income from property leases were higher than anticipated at the time of the budget approval.

*Agency Services* -91,79%

Budgeted for additional agency services income based on historic trends of additional allocations which was not realised in 2019/20.

*Other Revenue* 769,42%

This variance will be updated as the asset process is in progress and GRAP asset journals must still be compiled and processed.

**46.2.7 Expenditure**

*Employee Related Costs* 59,22%

The variance of 59,2% is due to an R88 000 000 difference between the budgeted and actual amount. The reason relates to the employee related costs of the Roads function that is budgeted for under "Other Expenditure" (refer to note 30).

*Remuneration of Councillors* -10,61%

The variance is as a result of lower increases in remuneration than what was expected at the time of the budget.

*Debt Impairment* 139,79%

Due to outstanding fire fighting accounts outstanding for one year or more and impaired 100% in 19/20. The reason for non-payment of fire fighting accounts is dispute regarding the origin of fire.

*Depreciation and Asset Impairment* 629,28%

An unexpected net impairment loss of R30m on Property Plant and Equipment and Investment Property from a valuation exercise performed by an independent valuer is the cause of this significant variance.

*Other Materials* -100,00%

The Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget.

*Contracted Services* -31,94%

Roads expenditure reported in actual on other lines also, such as employee related costs etc.

*Transfers and Grants* -100,00%

The Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget.

*Other Expenditure* -65,01%

R88m of the variance is mainly due to the fact that the employee related costs of the Roads function is budgeted for under "Other Expenditure", but reported in actuals under "Employee related costs" (refer to note 30). Also, the Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget.

**46.2.8 Capital Transfers & Contributions**

*Transfers Recognised - Capital* 100,00%

Capital transfers were included in the 'Transfers Recognised - Operational' in the budget.

**46.2.9 Cash Flow Statement**

*Other Revenue* -21,97%

The Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget and therefore lower revenue/cash receipts from claims from the Western Cape Department of Transport and Public Works.

*Suppliers and Employees* -21,30%

The Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget.

*Transfers and Grants* -33,13%

The Roads function's operations were adversely affected by lockdown and the COVID 19 pandemic, resulting in significantly lower expenditure than what was included in the budget.

*Proceeds on disposal of PPE* -100,00%

Anticipated sale of Council assets did not realise in the year under review.

*Decrease/(Increase) in Non-Current Debtors* 74,21%

Decrease larger than anticipated due to results from valuation as performed by independent actuary relating to the post-retirement benefits for Roads staff that is raised as debtor against the Western Cape Department of Transport and Public Works.

*Repayment of Borrowing* 100,00%

Variance due to repayment of finance lease borrowings in actual that was not included in the budget.

GARDEN ROUTE DISTRICT MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
<b>47</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>47.1</b> <b>Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure:			
Opening balance		19 637 033	29 100 860
Balance previously reported			29 177 263
Correction of incorrect disclosure in prior year			(76 403)
Unauthorised expenditure current year - operational		33 657 910	18 014 649
Unauthorised expenditure current year - capital		577 463	594 754
Approved by Council or condoned		(18 609 403)	(28 073 230)
Unauthorised expenditure awaiting authorisation		<u>35 263 003</u>	<u>19 637 033</u>
2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
<b>Unauthorised expenditure current year - operating</b>			
Vote 1 - Executive and Council	42 324 989	58 449 287	16 124 298
Vote 2 - Budget and Treasury Office	21 814 153	23 272 011	1 457 858
Vote 3 - Corporate Services	41 636 438	42 387 141	750 703
Vote 4 - Planning and Development	56 344 074	23 356 675	(32 987 399)
Vote 5 - Public Safety	30 807 009	31 835 354	1 028 345
Vote 6 - Health	33 703 737	33 033 226	(670 511)
Vote 7 - Community and Social Services	-	-	-
Vote 8 - Sport and Recreation	11 658 566	12 670 180	1 011 614
Vote 9 - Waste Management	3 649 735	13 565 593	9 915 858
Vote 10 - Roads Transport	-	4 057 858	4 057 858
Vote 11 - Waste Water Management	-	-	-
Vote 12 - Water	-	9 197	9 197
Vote 13 - Environment Protection	74 619	3 510 913	3 436 294
Vote 14 - Roads Agency Function	151 828 435	187 945 867	36 117 432
	<u>393 841 753</u>	<u>434 093 302</u>	<u>40 251 549</u>
			<u>(33 657 910)</u>
2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
<b>Unauthorised expenditure current year - capital</b>			
Vote 1 - Executive and Council	186 432	163 935	(22 497)
Vote 2 - Budget and Treasury Office	112 358	40 000	(72 358)
Vote 3 - Corporate Services	1 269 815	1 505 182	235 367
Vote 4 - Planning and Development	75 851	22 000	(53 851)
Vote 5 - Public Safety	3 793 125	3 835 315	42 190
Vote 6 - Health	2 728 758	2 300 000	(428 758)
Vote 7 - Community and Social Services	-	-	-
Vote 8 - Sport and Recreation	4 763	500 000	495 237
Vote 9 - Waste Management	10 473	30 000	19 527
Vote 10 - Roads Transport	-	-	-
Vote 11 - Waste Water Management	-	-	-
Vote 12 - Water	-	-	-
Vote 13 - Environment Protection	-	28 000	28 000
Vote 14 - Roads Agency Function	-	-	-
	<u>8 181 574</u>	<u>8 424 432</u>	<u>242 858</u>
			<u>(577 463)</u>
2020 R	2019 R		
<b>47.2</b> <b>Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure:			
Opening balance		774 511	1 857 935
Interest: Creditors		887	6 064
Fruitless and wasteful expenditure current year		-	42 404
Condoned or written off by Council		(774 511)	(1 131 892)
Fruitless and wasteful expenditure awaiting condonement		<u>887</u>	<u>774 511</u>

	2020 R	2019 R
<b>47.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		
Opening balance	167 757 049	96 062 717
Irregular expenditure current year	8 843 364	40 509 315
Deviations	-	5 335 569
SCM Reg 29(2) Composition of the Bid Adjudication Committee (see disclosure below) - current year	44 585 532	65 783 930
SCM Reg 29(2) Composition of the Bid Adjudication Committee (see disclosure below) - prior year	-	40 321 656
SCM Reg 32 Contracts secured by other organs of state (see disclosure below) - current year	188 679	4 640 469
SCM Reg 32 Contracts secured by other organs of state (see disclosure below) - prior year	-	3 598 864
Irregular expenditure written-off as irrecoverable supported by council i.t.o section 32 of MFMA	(160 189 803)	(88 495 471)
Irregular expenditure awaiting further action	<b>61 184 821</b>	<b>167 757 049</b>

The irregular expenditure of 2019/2020 relates mostly to the following:  
Contracts above R10 million not advertised as prescribed in 2014/2015 - 2016/2017 financial years R8 843 364 (2019: R39 152 971)

**Composition of the Bid Adjudication Committee**

For the 2018/19 statutory audit, the Office of the Auditor General's technical department issued a clarification regarding the interpretation and application of SCM Reg 29(2) regarding the composition of the bid adjudication committee (BAC). Membership to the committee requires, amongst others, the CFO, as well as a Senior SCM Practitioner. In the past, due to capacity constraints, the CFO was regarded to also fulfill the requirement of the Senior SCM Practitioner. However, the clarification stated that these must be two different officials. It was therefore concluded that the BAC was not constituted as per reg 29(2) and this non-compliance results in all formal tenders to be considered to be irregular expenditure.

It should be noted that this non-compliance did not result in any loss to Council as the award would not have been granted to a different bidder. The Manager: SCM did attend the BAC meetings in an advisory capacity, therefore the inputs from the "Senior SCM Practitioner" was given at the BAC meeting. The irregular expenditure is purely based on the fact that the Manager: SCM should have been a member of the BAC, not only an advisor.

Irregular expenditure due to non-compliance with SCM Reg 29(2) for financial years ending prior to 1 July 2017:  
In order to comply with the mSCOA Regulations as applicable from 1 July 2017, GRDM implemented a new financial system. Therefore, in order to quantify this irregular expenditure for financial years ending prior to this date, GRDM investigated the possibility to purchase the software for installation of the old system, restore backed-up data on the system and retrieve payment reports in order to quantify payments related to formal tender awards.

This investigation produced the following challenges:

- the purchase and restore of information would come at a cost in excess of R400,000 which could escalate to an indeterminate amount if the restore had any complications that would require intervention of ICT specialists; and
- in addition to the expenditure detail in the old system, GRDM would also have to retrieve hard copy files from archives in Cape Town in order to investigate tender documentation and bid committee minutes to ascertain the BAC composition of each meeting.

This substantial cost implication, considering the financial constraints that the municipality is currently operating under, was considered against the value that would be achieved from incurring the expense and quantifying the expenditure on formal tenders prior to 1 July 2017. On 30 June 2020 GRDM Council resolved to write-off R106m of irregular expenditure relating to this COMAF for the period July 2017 – June 2019. This was after following the MFMA section 32 process and investigation by the MPAC committee, which recommended the write-off to Council. From the MPAC report to Council, Council therefore agreed that these amounts are not recoverable, no negligent or deliberate actions were performed that led to the irregular expenditure, no loss was incurred by Council.

It is therefore concluded that, after making every reasonable effort to do so, disclosing similar amounts of irregular expenditure under the exact same non-compliance for periods prior to July 2017, which would require significant financial resources, would not add any value or result in any recoveries and is deemed to be impractical. The principle of the irregular expenditure is exactly the same as the R106m Council resolved to write-off already (as no losses were incurred).

**Contracts secured by other organs of state**

National Treasury issued Circular 96 in July 2019 to municipalities which elaborates on the principles captured in regulation 32 of the SCM Regulations when procuring goods or services from contracts secured by other organs of state. In addition, there has been two court judgements, which provide an understanding of regulation 32 and MFMA section 110(2). They were delivered in the High Court of South Africa KwaZulu-Natal division (Durban) on 6 July 2018 (KwaDukza) and in the High Court of South Africa (Eastern Cape circuit court, East London) on 24 November 2015 (Amathole) which were based on the interpretation of regulation 32.

Application of the information referred to above concludes that "the municipality cannot substitute itself in place of the other organ of state". GRDM has contracts procured under the auspices of regulation 32, but contracted directly with the supplier. All expenditure on contracts procured under SCM Regulation 32 therefore is deemed to be irregular expenditure due to the non-compliance derived from the new application.

Recoverability of newly identified irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

**48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**48.1 Contributions to organised local government - [MFMA 125 (1)(b)] - [SALGA CONTRIBUTIONS]**

Opening balance	-	-
Council subscriptions	69 015	62 151
Amount paid - current year	(69 015)	(62 151)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**48.2 Audit fees - [MFMA 125 (1)(c)]**

Opening balance	-	-
Current year audit fee	3 561 114	3 663 723
Amount paid - current year	(3 561 114)	(3 663 723)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

		2020 R	2019 R		
<b>48.3</b>	<b>VAT - [MFMA 125 (1)(c)]</b>				
	VAT input receivables and VAT outputs payable are shown in note 16. All VAT returns have been submitted by the due date throughout the year.				
<b>48.4</b>	<b>PAYE and UIF - [MFMA 125 (1)(c)]</b>				
	Opening balance	34 430 862	29 915 467		
	Current year payroll deductions	(34 430 862)	(29 915 467)		
	<b>Balance unpaid (included in creditors)</b>	<u><u>-</u></u>	<u><u>-</u></u>		
<b>48.5</b>	<b>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</b>				
	Opening balance	36 136 940	33 646 534		
	Current year payroll deductions and Council Contributions	(36 136 940)	(33 646 534)		
	<b>Amount paid - current year</b>	<u><u>-</u></u>	<u><u>-</u></u>		
	<b>Balance unpaid (included in creditors)</b>	<u><u>-</u></u>	<u><u>-</u></u>		
<b>48.6</b>	<b>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>				
	The following Councillor had a arrear account outstanding for more than 90 days during the year.	<b>Total</b>	<b>90+ Days</b>		
	<b>30 June 2020</b>				
	The following amount is outstanding for overpayment of Councillor remuneration: V Gericke	113 208	113 208		
	<b>30 June 2019</b>				
	The following amount is outstanding for overpayment of Councillor remuneration: V Gericke	164 213	164 213		
<b>48.7</b>	<b>Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005</b>	<b>2020 R</b>	<b>2019 R</b>		
	In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. Deviations for the amount of R6,370,603 has been condoned by council.				
	<b>Deviations per deviation type can be summarised as follows:</b>				
	Emergency	3 701 386	6 936 513		
	Impractical	2 005 081	4 340 992		
	Single Supplier	664 135	1 540 789		
		<u><u>6 370 603</u></u>	<u><u>12 818 294</u></u>		
	Deviations from procurement processes in terms of section 36 of the Supply Chain Management Regulations were identified on the following categories:				
	<b>30 June 2020</b>	<b>Up to R30,000</b>	<b>Between R30,001 and R200,000</b>	<b>Between R200,001 and R2,000,000</b>	<b>More than R2,000,001</b>
	Community Services	271 620	506 174	1 736 953	-
	Corporate/Strategic Services	42 562	298 108	228 689	-
	Financial Services	30 956	1 515 332	229 874	-
	Office of the Municipal Manager	-	32 390	-	-
	Office of the Political Staff	51 681	162 288	765 051	-
	Planning and Economic Development Services	53 397	-	-	-
	Roads Services	445 530	-	-	-
		<u><u>895 745</u></u>	<u><u>2 514 291</u></u>	<u><u>2 960 567</u></u>	<u><u>-</u></u>
	<b>The major deviations were as follows:</b>				
	<b>Awarded to</b>	<b>Reason/Explanation</b>		<b>Amount</b>	
	Working on fire	Emergency		587 618	
	Working on fire	Emergency		451 630	
	Working on fire	Emergency		409 485	
	Heather Park Super Spar	Emergency		288 221	
	Isolomzi Security Services	Emergency		285 218	
	Isolomzi Security Services	Emergency		260 889	
	TOTAL SA	Impractical Procurement Process		229 674	
	ESRI South Africa	Single Supplier		228 689	
	Isolomzi Security Services	Emergency		218 944	
	Isolomzi Security Services	Emergency		213 969	
	TOTAL SA	Impractical Procurement Process		199 351	
	TOTAL SA	Impractical Procurement Process		186 772	
	TOTAL SA	Impractical Procurement Process		186 772	
	TOTAL SA	Impractical Procurement Process		169 747	
	ISM/Juvion Systems	Emergency		165 500	
	Isolomzi Security Services	Emergency		162 288	
	Total			<u><u>4 244 967</u></u>	

**48.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005 (continued)**

30 June 2019	Up to R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Community Services	761 920	1 320 843	1 588 771	4 119 135
Corporate/Strategic Services	281 841	284 106	-	-
Financial Services	152 262	-	-	-
Office of the Municipal Manager	94 417	105 266	-	-
Office of the Political Staff	3 568	-	-	-
Planning and Economic Development Services	410 510	262 303	-	-
Roads Services	1 850 632	1 582 720	-	-
	<b>3 555 151</b>	<b>3 555 237</b>	<b>1 588 771</b>	<b>4 119 135</b>

The major deviations were as follows:

Awarded to	Reason/Explanation	
South Cape Fire Protection Ass - NPC	Emergency	2 082 262
Working on Fire (PTY) Ltd	Emergency	2 036 873
Working on Fire (PTY) LTD	Emergency	1 341 521
Savannah Helicopters	Emergency	247 250
World Travel Market - Africa Show 2019	Single Supplier	185 096
Ilita Lodge	Impractical Procurement Process	184 000
Mosselbay Helicopters	Emergency	166 106
Savannah Helicopters	Emergency	130 410
Pine Lake Marina Waterfront Resort	Impractical Procurement Process	127 988
Savannah Helicopters	Emergency	125 580
Ilita Lodge	Single Supplier	121 440
Incident working Group	Emergency	120 922
AAN DE KANAAL	Impractical Procurement Process	116 461
Total		<b>6 985 908</b>

**48.8 Awards to close family members of persons in the service of the state**

The following purchases were made from close family members of persons in the service of the state :

2019/2020 Financial Year	Name	State Department	Actual Expenditure R	Awarded Amount R
Supplier IGB Trading	NM Boumeester	NM Boumeester's (Administrative Assistant Garden Route District Municipality) husband owns IGB Trading	11 722	11 722
Shabby to Chick - Zingfontein Estates	J Stander	J Stander's (Manager Finance Garden Route District Municipality) brother-in-law owns Shappy to Chick	9 630	9 630
Piston Power Chemicals CC	Ujush Andhee	Nadira Andhee (wife) - teacher at KZN Department of Education	234 969	Rate Based
Imvusa Trading	Angeline Lekay	Harold Lekay (Husband) - Oudtshoorn Municipality (Community Services - Cleaning)		Rate Based
R & S Communications	NW Jacobs and JG Otto	NW Jacobs's (Disaster Management Coordinator - Community Service - Garden Route District Municipality) and JG Otto's (Manager Disaster Management Community Service - Garden Route District Municipality), both their spouses works for R & S Communications.	53 802	Rate Based
2 Brothers Enterprise	AY Miles	AY Miles's (Administrative Assistant - Garden Route District Municipality) uncle owns 2 Brothers Enterprise.	13 900	Rate Based
Group Editors	AM Aucamp	AM Aucamp(Accountant Stores - Garden Route District Municipality) sister in law is an employee of Group	218 596	
GIBB (Pty) Ltd GIBB (Pty) Ltd GIBB (Pty) Ltd GIBB (Pty) Ltd GIBB (Pty) Ltd	Diane Alderman Alan Moon Thando Gopo Sonniqa Cilliers Nokuthula Mkhize	Eastern Cape Department of City of Cape Town Ethekwini Municipality Department of Education National Department of Water Affairs & Forestry		
GIBB (Pty) Ltd	Jacqueline Gooch	Department of Transport & Public Works	742 210	Rate Based
GIBB (Pty) Ltd GIBB (Pty) Ltd GIBB (Pty) Ltd GIBB (Pty) Ltd	Douglas Kiewiet Rajiv Beharie Unathi Lekonyana K Naidoo	Department of Water Affairs & Eskom Department of National Treasury Gauteng Department of Education		
Genela Security Training and Projects	Councillor V. Gericke Spouse of H Niehaus	Mother's brother owns Genela Security Training and Projects Spouse of H Niehaus Western Cape Department of Education	249 470	Rate Based
Mubesko Africa (Pty) Ltd	Spouse of B Saaiman	Northern Cape Department of Health	1 458 982	Rate Based
Shelfplett 40	Spouse of MRJ Yonn	South African Police Service	979 020	Rate Based
			<b>3 972 301</b>	

**48.8 Awards to close family members of persons in the service of the state (continued)**

**2018/2019 Financial Year**

<b>Supplier</b>	<b>Name</b>	<b>State Department</b>	<b>Actual Expenditure R</b>	<b>Awarded Amount R</b>
The following purchases were made from close family members of persons in the service of the state :				
IGB Trading	NM Boumeester	NM Boumeester's (Administrative Assistant Garden Route District Municipality) husband owns IGB Trading	11 702	11 702
Shabby to Chick - Zingfontein Estates	J Stander	J Stander's (Manager Finance Garden Route District Municipality) brother-in-law owns Shappy to Chick	9 809	9 809
Piston Power Chemicals CC	Ujush Andhee	Nadira Andhee (wife) - teacher at KZN Department of Education	518 255	Rate Based
Imvusa Trading	Angeline Lekay	Harold Lekay (Husband) - Oudtshoorn Municipality (Community Services - Cleaning)	2 647	Rate Based
R & S Communications	NW Jacobs and JG Otto	NW Jacobs's (Disaster Management Coordinator - Community Service - Garden Route District Municipality) and JG Otto's (Manager Disaster Management Community Service - Garden Route District Municipality), both their spouses works for R & S Communications.	521 987	Rate Based
2 Brothers Enterprise	AY Miles	AY Miles's (Administrative Assistant - Garden Route District Municipality) uncle owns 2 Brothers Enterprise.	53 100	Rate Based
GIBB (Pty) Ltd	Diane Alderman	Eastern Cape Department of Education		
GIBB (Pty) Ltd	Alan Moon	City of Cape Town		
GIBB (Pty) Ltd	Thando Gqobo	Ethekwini Municipality		
GIBB (Pty) Ltd	Sonniqa Cilliers	Department of Education		
GIBB (Pty) Ltd	Nokuthula Mkhize	National Department of Water Affairs & Forestry		
GIBB (Pty) Ltd	Jacqueline Gooch	Department of Transport & Public Works	810 750	Rate Based
GIBB (Pty) Ltd	Douglas Kiewiet	Department of Water Affairs & Forestry		
GIBB (Pty) Ltd	Rajiv Beharie	Eskom		
GIBB (Pty) Ltd	Unati Lekonyana	Department of National Treasury		
GIBB (Pty) Ltd	K Naidoo	Gauteng Department of Education		
Mubesko Africa (Pty) Ltd	Spouse of H Niehaus Spouse of B Saaiman	Western Cape Department of Education Northern Cape Department of Health	3 377 681	Rate Based
<b>5 305 931</b>				

**49 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price Risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2019: 1%) Increase in interest rates	1 862 113	1 459 340
1% (2019: 1%) Decrease in interest rates	(1 862 113)	(1 459 340)

**49 FINANCIAL RISK MANAGEMENT (CONTINUED)**

2020  
R

2019  
R

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

	2020 %	2020 R	2019 %	2019 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
Rental Agreements	2,95%	982 369	5,38%	1 530 201
Ambulance and Fire Fighting Fees	92,69%	30 861 302	90,30%	25 688 423
Other Arrears	4,36%	1 451 504	4,32%	1 230 229
<b>Total</b>	<b>100,00%</b>	<b>33 295 175</b>	<b>100,00%</b>	<b>28 448 854</b>

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

	2020	Exchange Receivables	Non-exchange Receivables
2020			
1 month past due		540 896	-
2+ months past due		1 292 680	-
		<hr/> <hr/> <hr/> 1 833 576	<hr/> <hr/> <hr/> -
2019			
1 month past due		130 409	-
2+ months past due		3 629 949	-
		<hr/> <hr/> <hr/> 3 760 357	<hr/> <hr/> <hr/> -

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (Investec, Nedbank, ABSA, First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2020 R	2019 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	-	-
Non-Current Receivables from Non-Exchange Transactions	-	-
Receivables from exchange transactions	46 922 141	53 920 757
Receivables from non-exchange transactions	-	100 556
Cash and Cash Equivalents	186 353 956	145 935 030
	<hr/> <hr/> <hr/> 233 276 097	<hr/> <hr/> <hr/> 199 956 343

**(e) Liquidity Risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of financial commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2020</b>				
Long-term Liabilities	243 811	174 795	-	-
Trade and Other Payables	21 635 206	-	-	-
	<hr/> <hr/> <hr/> 21 879 017	<hr/> <hr/> <hr/> 174 795	<hr/> <hr/> <hr/> -	<hr/> <hr/> <hr/> -
<b>2019</b>				
Long-term Liabilities	729 307	29 335	-	-
Trade and Other Payables	27 990 101	-	-	-
	<hr/> <hr/> <hr/> 28 719 407	<hr/> <hr/> <hr/> 29 335	<hr/> <hr/> <hr/> -	<hr/> <hr/> <hr/> -

			2020 R	2019 R
<b>50</b>	<b>FINANCIAL INSTRUMENTS</b>			
		In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:		
<b>50.1</b>	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Investments</b>			
	Unlisted Shares	Financial Instruments at fair value	26 022	27 445
			2020 R	2019 R
	<b>Receivables from Exchange Transactions</b>			
	Property Rentals	Financial Instruments at amortised cost	2 266 954	1 778 441
	Ambulance and Fire Fighting Fees	Financial Instruments at amortised cost	31 194 908	27 534 731
	Other Arrears	Financial Instruments at amortised cost	13 460 280	19 604 057
			2020 R	2019 R
	<b>Cash and Cash Equivalents</b>			
	Bank Balances	Financial Instruments at amortised cost	188 212 449	174 222 203
	Call Deposits	Financial Instruments at amortised cost	-	-
			<u>235 160 613</u>	<u>223 166 877</u>
			2020 R	2019 R
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	<b>Financial Instruments at cost:</b>			
	Investments	Unlisted shares	26 022	27 445
			<u>26 022</u>	<u>27 445</u>
			2020 R	2019 R
	<b>Financial Instruments at amortised cost:</b>			
	Receivables from Exchange Transactions	Property Rentals	2 266 954	1 778 441
	Receivables from Exchange Transactions	Ambulance and Fire Fighting Fees	31 194 908	27 534 731
	Receivables from Exchange Transactions	Other Arrears	13 460 280	19 604 057
	Cash and Cash Equivalents	Bank Balances	188 212 449	174 222 203
			<u>235 134 591</u>	<u>223 139 432</u>
	<b>Financial Instruments at fair value:</b>			
	Investments	Listed Investments	26 022	27 445
			<u>26 022</u>	<u>27 445</u>
			2020 R	2019 R
	<b>Total Financial Assets</b>			
			<u>235 186 635</u>	<u>223 194 322</u>
<b>50.2</b>	<b>Financial Liabilities</b>	<b>Classification</b>		
	<b>Long-term Liabilities</b>			
	Capitalised Lease Liability	Financial Instruments at amortised cost	391 266	726 702
	<b>Trade and Other Payables</b>			
	Trade Payables	Financial Instruments at amortised cost	8 441 543	11 848 245
	Advance Payments	Financial Instruments at amortised cost	518 682	1 247 483
	Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	932 930	381 915
	Other Payables	Financial Instruments at amortised cost	11 665 001	14 303 807
	Retentions	Financial Instruments at amortised cost	77 050	-
	<b>Cash and Cash Equivalents</b>			
	Bank Overdraft	Financial Instruments at amortised cost	-	-
			<u>22 026 472</u>	<u>28 508 152</u>
			2020 R	2019 R
	<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
	<b>Financial instruments at amortised cost:</b>			
	Long-term Liabilities	Capitalised Lease Liability	391 266	726 702
	Trade and Other Payables	Trade Payables	8 441 543	11 848 245
	Trade and Other Payables	Advance Payments	518 682	1 247 483
	Trade and Other Payables	Control, Clearing and Interface Accounts	932 930	381 915
	Trade and Other Payables	Other Payables	11 665 001	14 303 807
	Trade and Other Payables	Retentions	77 050	-
			<u>22 026 472</u>	<u>28 508 152</u>
<b>51</b>	<b>STATUTORY RECEIVABLES</b>			
		In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
	<b>Taxes</b>			
	VAT Receivable		2 148 046	3 278 029
	<b>Receivables from Non-Exchange Transactions</b>			
	Insurance Claims		-	100 556
			<u>-</u>	<u>100 556</u>
	<b>Total Statutory Receivables (before provision)</b>		<b>2 148 046</b>	<b>3 378 586</b>
	<b>Less:</b> Provision for Debt Impairment		-	-
	<b>Total Statutory Receivables (after provision)</b>		<b>2 148 046</b>	<b>3 378 586</b>
			2020 R	2019 R

	2020 R	2019 R
<b>52 IN-KIND DONATIONS AND ASSISTANCE</b>		
The municipality received the following in-kind donations and assistance:		
SALGA Assistance	-	725 937
Mr. Thembalethu Ncangayi (Intern from Western Cape Provincial Treasury)	99 155	-
Smart City development trip to Indonesia	-	135 980
<b>Total In-kind Donations and Assistance</b>	<b>99 155</b>	<b>861 917</b>
<b>53 PRIVATE PUBLIC PARTNERSHIPS</b>		
Garden Route District Municipality is in the process to enter into a Public Private Partnership (PPP) with Eden Waste Management, the Preferred Bidder, for a period of ten (10) years to build and operate a Regional Waste Management Facility. The PPP Agreement will include the build and operation of a domestic and hazardous disposal facility as well as the availability of a rotating mobile chipper and crusher to the participating local municipalities. The participating local municipalities that will make use of the facility will be Bitou, Knysna, George, Mossel Bay and Hessequa (Gouritzmond and Albertinia).		
The due diligents process initiated by the Development Bank of South Africa that is the financier of the Private Partner has been completed and the final PPP process can be concluded. The Treasury Views and Recommendation III documentation as well as the Section 33 in terms of the MFMA (contract longer than three years) process documentation were submitted to Nasional and provincial Treasury for their comments as well as to the Nasional and Provincial Sector Department for their comments - all of which have been received and addressed.		
The PPP Agreement is in the final stages of technical reviews whereafter it will be submitted to Council for approval and signature of the Municipal Manager. All participating local municipalities have made provision in their existing multi-year budgets for their individual operating cost contribution from date of in operation of the regional Waste Management Facility.		
In April 2020, the Preferred Bidder informed the municipality that, due to the negative impact of COVID 19 on their business, they were unable to continue with the project. Through assistance from DBSA, a proposal has been submitted to the Preferred Bidder's board in order to address the concerns raised so that the entity can still be able to continue with the project. As at year-end, the outcome of the board's decision is still pending.		
<b>54 CONTINGENT LIABILITY</b>		
<b>54.1 Theunis Barnard / Garden Route DM / September January</b>		
We received a summons from Calmanz Incorporated, with regards to an accident that happened on 5 February 2010. The driver of the vehicle was September January and at the time of the accident employed at Garden Route District Municipality. The vehicle had the registration number PA 175 129. This matter was referred to their Insurance company. Notice of intention to defend was issued. This matter is now dormant and the Insurance Company closed their file on 15 November 2017, as the excess was greater than the claim value.	-	38 231
<b>54.2 I Gerber N.O and others / Garden Route DM and P McKenzie</b>		
The Cape Town High Court issued a court order against Garden Route District Municipality. In terms of the said order each party is liable for its own costs in respect of the said Application. In addition the court ordered the Applicant to bring a court application on or before the 31st of July 2013, in order to review Garden Route DM's decision to lease Part 4 of the farm Woodville 172, Division George to Peter McKenzie (the second Respondent), which will have further cost implications for Garden Route DM. Lastly instructions were issued that a lease be drafted in the interim between the relevant parties. No probability of outflow of economic resources.	-	21 840
<b>54.3 Andrew de Wet vs Garden Route District Municipality</b>	2020 R	2019 R
Mr De Wet instituted a claim against Garden Route District Municipality. He drove through a pothole with his bicycle. He sustained serious head and facial injuries and damage to his bicycle. This matter was referred to our Insurance Company to defend, as well as Roads and Province. No response from any of the Parties, nor was judgment taken against the Municipality. Furthermore, the provisions of the Prescription Act must also be taken into consideration and Mr De Wet will have to inform the Court as to why he did not approach the court timely for an order if he wish to take this matter further.	-	614 675
<b>54.4 Barry Louis Rae Trust / Farm Uitvlugt 269 Fire / Rogers</b>		
Claim for damages as a result of the fire that spread (29 August until 1 September 2016). The matter is in process.	4 500 000	4 500 000
<b>54.5 Combined Summons: Banger Car Hire vs Garden Route DM</b>		
Car accident that occurred. This matter was referred to Province. The Plaintiff's attorney was also informed that the summons must be amended to cite Province as a Party. On 23 June 2017, we've received an email from the Plaintiff's attorney that she will attend to look at the matter and revert back to us. Despite follow-up emails there-after, no further correspondence from the Plaintiff's attorney was received. This matter is currently dormant.	-	18 800
<b>54.6 Combined Summons between George Municipality, Garden Route District Municipality and D Stoffels</b>		
On 12 July 2017 the combined summons was received. On or about 1 September 2016 on the Jonkrus / De Vlugt Road a collision occurred between the Plaintiff's vehicle and CAW64439 driven by the second defendant in the course and scope of his employment with the First Defendant. Case is dormant.	-	20 836
<b>54.7 Combined Summons between G Brown and Garden Route District Municipality</b>		
On 1 August 2017 we received the combined summons. On or about 16 August 2015, at or near Rheeendal Road, Phantom Acres damage occurred to the Plaintiff's Vehicle while driving through a pothole. This matter is currently with our Insurance Company, who has appointed Phatshoane Henney Attorneys to defend on our behalf. No judgment taken against the municipality.	-	31 032

		2020 R	2019 R
<b>54</b>	<b>CONTINGENT LIABILITY (CONTINUED)</b>		
<b>54.8</b>	<b>Combined Summons between Brenda Kraft and Garden Route District Municipality</b>		
	This matter was referred to the Insurance Company and the municipality is not responsible for the maintenance of that Road. The Insurance Company informed us that Third Party Attorneys withdrew the case and the Insurance Company proceeded to close their file in this matter.	-	415 264
<b>54.9</b>	<b>Isivuno Auctioneers: Summons</b>		
	A summons was served on Isivuno for the outstanding amount of R223 574,84. Discovery Affidavit served on us for the MM's signature. Isivuno defending this matter – in process. No probability of the outflow of economic resources.	-	223 575
<b>54.10</b>	<b>Possible Property Dispute: Caltzdorp Spa - Prins Family</b>		
	The Regional Land Claims Commissioner received a land-claim during 1998, just before the cut-off date of 31 December 1998 by the Prins family. Preliminary research conducted could not show any ownership rights for the family on the claimed properties. A site visit was conducted and subsequent thereto, the office (RLLC:WC) roped in the services of the NGI to assist in plotting the identified properties on a map. The map indicated the exact properties under claim. However, the nature of rights lost by the Prins family could not be ascertain from this process. Currently, the land claim is at research stage.	4 410 237	4 617 098
	Balance previously disclosed	-	
	Correction of incorrect disclosure in previous financial year	4 617 098	
<b>54.11</b>	<b>Portion of Portion 2 of Farm 238, Hoogekraal</b>		
	Possible transfer to Mossel Bay Municipality as per Council Resolution and subject to transfer agreement being entered into between the Parties.	353 441	431 400
<b>54.12</b>	<b>Erf 99, Glentana</b>		
	Possible transfer to Mossel Bay Municipality as per Council Resolution and subject to transfer agreement being entered into between the Parties.	197 936	4 021 781
<b>54.12</b>	<b>Labour disputes</b>		
	The Labour Relations Section has the following disputes lodged for the financial year ended 30 June 2020. All disputes have not yet been finalised and only an estimation is made based on the claims put forth by the applicants and the possible outcomes as per the Code of Good Practice of the Labour Relations Act as amended.		
	V Blom & Roode	350 000	350 000
	R van Rool	2 300 000	-
	B Ntozini	-	70 000
	N Ndabeni	-	50 000
	IMATU obo Du Plessis & others	-	868 490
		<b>12 111 614</b>	<b>16 293 022</b>
<b>55</b>	<b>RELATED PARTIES</b>		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
<b>55.1</b>	<b>Related Party Transactions</b>		
	The following purchases were made during the year where Councillors or staff have an interest:	<b>Transaction(s) value</b>	<b>Outstanding Balance</b>
	<b>Year ended 30 June 2020</b>		
	<b>IGB Trading</b>		
	NM Boumeester's (Administrative Assistant Garden Route District Municipality) husband owns IGB Trading.	11 722	-
	<b>Shabby to Chick – Zingfontein Estates</b>		
	J Stander (Garden Route District Municipality's Manager Finance) brother-in-law owns Shabby to Chick. Garden Route District Municipality received Property, plant and equipment from Shabby to Chick.	9 630	-
	<b>R &amp; S Communications</b>		
	NW Jacobs's (Disaster Management Coordinator - Community Service - Garden Route District Municipality) and JG Otto's (Manager Disaster Management Community Service - Garden Route District Municipality), both their spouses works for R & S Communications.	53 802	-
	<b>Group Editors</b>		
	Aucamp AM (Accountant: Stores - Garden Route District Municipality) sister-in-law is an employee of Group Editors	218 596	-
	<b>Genela Security Training and Projects</b>		
	Councillor Gericke V (Councillor - Garden Route District Municipality) Sister son owns Genela Security Training and Projects	249 470	-
	<b>2 Brothers Enterprise</b>		
	AY Miles's (Administrative Assistant - Garden Route District Municipality) uncle owns 2 Brothers Enterprise.	13 900	-
		<b>557 120</b>	<b>-</b>

		2020 R	2019 R
		Transaction(s) value	Outstanding Balance
<b>55 RELATED PARTIES (CONTINUED)</b>			
<b>Year ended 30 June 2019</b>			
<b>IGB Trading</b>			
NM Boumeester's (Administrative Assistant Garden Route District Municipality) husband owns IGB Trading.		11 702	-
<b>Shabby to Chick – Zingfontein Estates</b>			
J Stander (Garden Route District Municipality's Manager Finance) brother-in-law owns Shabby to Chick. Garden Route District Municipality received Property, plant and equipment from Shabby to Chick.		2 000	7 809
<b>R &amp; S Communications</b>			
NW Jacobs's (Disaster Management Coordinator - Community Service - Garden Route District Municipality) and JG Otto's (Manager Disaster Management Community Service - Garden Route District Municipality), both their spouses works for R & S Communications.		521 987	-
<b>2 Brothers Enterprise</b>			
AY Miles's (Administrative Assistant - Garden Route District Municipality) uncle owns 2 Brothers Enterprise.		53 100	-
		<b>588 789</b>	<b>7 809</b>

**55.2 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 8 to the Annual Financial Statements.

**55.3 Compensation of key management personnel**

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

**55.4 Current Employee Benefits**

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2020:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
Mr MG Stratu	Municipal Manager	74 697	308 522	22 946
Mr JVH de Jager	Chief Financial Officer	64 261	207 037	22 250
Mrs B Holtzhausen	Head: Corporate Services	115 340	210 180	16 065
Mr C Africa	Head: Community Services	121 098	198 470	44 371
Mr JG Daniels	Head: Technical Services	180 697	210 180	181 587
Mr L Menze	Head: Planning and Economic Development	244 394	207 037	67 597
		<b>800 486</b>	<b>1 341 426</b>	<b>354 817</b>

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations	Travel and Subsistence paid
Mr MG Stratu	Municipal Manager	56 908	289 692	29 762
Mr JVH de Jager	Chief Financial Officer	17 817	64 978	12 671
Mrs B Holtzhausen	Head: Corporate Services	127 036	197 352	12 029
Mr C Africa	Head: Community Services	133 054	186 357	26 713
Mr JG Daniels	Head: Technical Services	92 368	130 847	193 363
Mr L Menze	Head: Planning and Economic Development	201 930	194 401	68 657
		<b>629 113</b>	<b>1 063 627</b>	<b>343 195</b>

**56 EVENTS AFTER REPORTING PERIOD**

**56.1 Knysna Municipality**

On 14 August 2020 GRDM received a letter from Knysna Municipality declaring a dispute regarding properties currently registered at the Deeds office in the name of GRDM.

**56.2 COVID-19**

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period. Council has approved our revised budget for 2020/21 which includes various concessions in order to further mitigate the economic impact of the virus on our communities.

**56.3 Public Private Partnership**

The initial preferred bidder as awarded has withdrawn from the project after year-end. Council is reviewing options for an appropriate way forward.

2020  
R

2019  
R

**57 FINANCIAL SUSTAINABILITY**

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

As with most municipalities, the municipality is dependent on transfers and subsidies from National and Provincial Government.

**Financial Indicators**

The following ratios are considered to be key financial indicators to determine financial health and going concern:

i) **Current ratio**

This ratio has improved from the prior to the current year. It stands at 3.13 times and is better than the norm set for municipalities

**Current Ratio:** (Current Assets / Current Liabilities)  
Norm: 1.5 - 2.1

	30 June 2020	30 June 2019
Current Assets	211 756 761	209 756 213
Current Liabilities	67 756 403	71 967 574
Current ratio	<b>3,13</b>	<b>2,91 times</b>

ii) **Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants):**

This ratio has improved from the prior to the current year. It stands at 6.3 times and is better than the norm set for municipalities of 1 to 3 times

**Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants):**

	30 June 2020	30 June 2019
Cost cover	<b>6,3</b>	<b>5,2 times</b>

ii) **Reconciliation of Available Cash and Investment Resources**

Refer to note 44 that shows cash available after deduction of cash-backed items from the bank balances as at 30 June 2020.

**58 DISCLOSURES IN TERMS OF BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT**

Information on compliance with the Broad Based Black Economic Empowerment Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

**59 COVID-19 PANDEMIC**

**Background**

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

**COVID-19 - Impact on Municipality**

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment. At this stage, it is still uncertain how long the pandemic will remain or how long the economy will take to recover from the lockdown levels.

**COVID-19 - Response Expenditure**

There was no prior year expenditure incurred in lieu of Covid-19. The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

Type of expenditure	Supplier	
Decontamination	PERMACODE INVESTMENTS	156 400
Decontamination	SENTRALA-SUID KOOPERSASIE BEPERK	21 982
Decontamination	BIDVEST WALTONS	497
Decontamination	RAMCOM TRUCKS & LOAD BODIES CC	1 095
Masks, gloves and hand sanitizer	AFRISHORE LIFTING AND RIGGING	12 685
Masks, gloves and hand sanitizer	ANSTRO CATERING EQUIPMENT	1 126
Masks, gloves and hand sanitizer	BIDVEST STEINER	8 974
Masks, gloves and hand sanitizer	BM SKILLS DEVELOPMENT	29 383
Masks, gloves and hand sanitizer	CARMICA MEDICAL DISTRIBUTORS	24 594
Masks, gloves and hand sanitizer	GEOCHEM (PTY) LTD	4 216
Masks, gloves and hand sanitizer	GLOMIX 124	6 853
Masks, gloves and hand sanitizer	IMPERIAL UNIFORMS	926
Masks, gloves and hand sanitizer	IN TOUCH FURNITURE (PTY) LTD	28 750
Masks, gloves and hand sanitizer	KINGPIN SUPPLIERS	12 411
Masks, gloves and hand sanitizer	LOJ ENTERPRISES	36 570
Masks, gloves and hand sanitizer	MARGOT SWISS INTERNATIONAL (PTY) LTD	20 326
Masks, gloves and hand sanitizer	MASSBUILD	7 264
Masks, gloves and hand sanitizer	MVD PROMOTIONS T/A FANCY INC	12 820
Masks, gloves and hand sanitizer	NANO PROTECT GARDEN ROUTE	74 129
Masks, gloves and hand sanitizer	OLTIN TRADING AND PROJECTS	6 325
Masks, gloves and hand sanitizer	PHARMA WAREHOUSE	15 170
Masks, gloves and hand sanitizer	PIENAAR BROS (PTY) LTD	5 422
Masks, gloves and hand sanitizer	RINGROAD DISTRIBUTION	8 625
Masks, gloves and hand sanitizer	SAFETYMASTE GEORGE	5 704
Masks, gloves and hand sanitizer	SENTRALA-SUID KOOPERSASIE BEPERK	1 314
Masks, gloves and hand sanitizer	SINE MAC ALISTER STRYDOM T/A UNIFORMS OF GEORGE	7 350
Masks, gloves and hand sanitizer	TEESON TRUST	17 250
Masks, gloves and hand sanitizer	TONI'S R5 STORE	28 000
Masks, gloves and hand sanitizer	UNIFORMS OF GEORGE	4 986
Masks, gloves and hand sanitizer	VIVA'S FIRE SERVICES	24 900
Masks, gloves and hand sanitizer	OTHER SUPPLIERS	29 813
Masks, gloves and hand sanitizer	NANO PROTECT GARDEN ROUTE PTY (LTD)	29 096
Sanitiser Equipment	WURTH SOUTH AFRICA CO	8 280
Sanitiser Equipment	M&H OFFICE EQUIPMENT	56 675
Sanitiser Equipment	VIVA'S FIRE SERVICES	22 900
Sanitiser Equipment	LOJ ENTERPRISES	19 425
Thermometers	PHARMA WAREHOUSE	25 500
Thermometers	BIDVEST STEINER	20 009
Thermometers	LOJ ENTERPRISES	19 295
Thermometers	WURTH	7 446
Food	HEATHERPARK SUPERSPAR	354 779
Food	SHOPRITE CHECKERS	160 122
Security	SHELFPLETT 40	979 020
		<b>2 318 408</b>

The Covid-19 response expenditure is funded from the following sources:

Own Revenue	971 388
Municipal Disaster Relief Fund	268 000
LG Support Grant: Humanitarian Relief	100 000
Safety Plan Implementation Grant	979 020
	<b>2 318 408</b>

**APPENDIX A**  
**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2019	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
<b>LEASE LIABILITY</b>										
Mobile Communication Devices	Prime	334621609	2020/06/14	726 702	-	396 848	(732 285)	391 265	977 051	-
<b>Total Lease Liabilities</b>				726 702	-	396 848	(732 285)	391 265	-	-
<b>TOTAL EXTERNAL LOANS</b>				<b>726 702</b>	<b>-</b>	<b>396 848</b>	<b>(732 285)</b>	<b>391 265</b>	<b>-</b>	<b>-</b>

**APPENDIX B**  
**GARDEN ROUTE DISTRICT MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2019	Correction of Error	Restated Balance 30 June 2019	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants	Balance 30 June 2020	Unspent 30 June 2020 (Creditor)	Unpaid 30 June 2020 (Debtor)
<b>National Government Grants</b>											
Equitable Share	-	-	-	157 370 000	-	(157 370 000)	-	-	-	-	-
Local Government Financial Management Grant	(1)	-	(1)	1 000 000	-	(1 000 000)	-	-	(2)	-	(2)
Expanded Public Works Programme Integrated Grant	-	-	-	1 629 000	-	(1 629 000)	-	-	-	-	-
Rural Road Asset Management Systems Grant	218 370	-	218 370	2 569 000	(218 370)	-	-	-	2 569 000	2 569 000	-
<b>Total National Government Grants</b>	<b>218 369</b>	<b>-</b>	<b>218 369</b>	<b>162 568 000</b>	<b>(218 370)</b>	<b>(159 999 000)</b>	<b>-</b>	<b>-</b>	<b>2 568 998</b>	<b>2 569 000</b>	<b>(2)</b>
<b>Provincial Government Grants</b>											
Municipal Disaster Grant	2 097 288	-	2 097 288	-	-	-	(1 904 735)	(192 553)	-	-	-
Integrated Transport Planning	590 488	-	590 488	900 000	-	-	-	-	1 490 487	1 490 487	-
Financial Management Support	809 950	(477 250)	332 700	3 519 900	-	(3 237 664)	(46 143)	(323 849)	244 944	244 944	-
Fire Services Capacity Building Grant	1 685 027	-	1 685 027	-	-	-	(1 530 324)	(154 703)	-	-	-
Safety Plan Implementation - (WOSA)	1 200 000	-	1 200 000	1 300 000	-	(1 543 743)	-	(133 668)	822 588	822 588	-
MDRG	-	-	-	268 000	-	(245 500)	-	(22 500)	-	-	-
Local Government Internship Grant	-	-	-	80 000	-	-	-	-	80 000	80 000	-
LG Humanitarian Relief Grant	-	-	-	100 000	-	(100 000)	-	-	-	-	-
<b>Total Provincial Government Grants</b>	<b>6 382 753</b>	<b>(477 250)</b>	<b>5 905 503</b>	<b>6 167 900</b>	<b>-</b>	<b>(5 126 907)</b>	<b>(3 481 202)</b>	<b>(827 273)</b>	<b>2 638 019</b>	<b>2 638 019</b>	<b>-</b>
<b>Other Grant Providers</b>											
LGESTA:Re-imbursments	292 505	(292 505)	-	-	-	-	-	-	-	-	-
<b>Total Other Grant Providers</b>	<b>292 505</b>	<b>(292 505)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Grants</b>	<b>6 893 627</b>	<b>(769 755)</b>	<b>6 123 872</b>	<b>168 735 900</b>	<b>(218 370)</b>	<b>(165 125 907)</b>	<b>(3 481 202)</b>	<b>(827 273)</b>	<b>5 207 017</b>	<b>5 207 019</b>	<b>(2)</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

MUN - Reconciliation of Table A1 Budget Summary

Description R thousands	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.o. MFMA s28 )	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Financial Performance</b>												
Property rates	–	–	–	–		–	0,0%	0,0%				–
Service charges	–	–	5 800	–		–	0,0%	0,0%			0	–
Rental of Facilities and Equipment	1 593	(70)	1 523	2 103		–	0,0%	0,0%				1 589
Interest Earned - External Investments	16 893	(3 600)	13 293	13 140		–	0,0%	0,0%				12 306
Interest Earned - Outstanding Debtors	964	2 536	3 500	3 303		–	0,0%	0,0%				2 414
Licences and Permits	105	–	105	85		–	0,0%	0,0%				484
Agency Services	23 015	186 546	209 561	17 213		–	0,0%	0,0%				17 244
Transfers recognised - operational	165 426	9 691	175 117	165 953		–	0,0%	0,0%				166 334
Other own revenue	205 672	(184 980)	20 692	179 900		–	0,0%	0,0%				216 322
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>413 668</b>	<b>10 124</b>	<b>429 592</b>	<b>381 697</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>416 694</b>
Employee costs	144 964	3 838	148 801	236 927		–	0,0%	0,0%	–	–	–	220 644
Remuneration of councillors	12 828	–	12 828	11 467		–	0,0%	0,0%	–	–	–	11 053
Debt impairment	1 721	1 873	3 594	4 394		–	0,0%	0,0%	–	–	–	12 424
Depreciation & asset impairment	3 477	1 356	4 833	35 246		–	0,0%	0,0%	–	–	–	4 024
Finance charges	–	–	–	38		–	0,0%	0,0%	–	–	–	127
Materials and bulk purchases	4 084	(1 660)	2 424	–		–	0,0%	0,0%	–	–	–	–
Contracted Services	46 505	(14 699)	31 806	21 647		–	0,0%	0,0%	–	–	–	32 639
Transfers and grants	1 965	–	2 004	3 199		–	0,0%	0,0%	–	–	–	2 356
Other expenditure	203 113	24 691	227 804	80 920		–	0,0%	0,0%	–	–	–	118 922
<b>Total Expenditure</b>	<b>418 656</b>	<b>15 399</b>	<b>434 094</b>	<b>393 838</b>		–	<b>0,0%</b>	<b>0,0%</b>	–	–	–	<b>402 188</b>
<b>Surplus/(Deficit)</b>	<b>(4 988)</b>	<b>(5 275)</b>	<b>(4 502)</b>	<b>(12 141)</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>14 505</b>
Transfers recognised - capital	–	–	–	3 481		–	0,0%	0,0%				–
Contributions recognised - capital & contributed assets	–	–	–	35		–	–	–				–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(4 988)</b>	<b>(5 275)</b>	<b>(4 502)</b>	<b>(8 625)</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>14 505</b>
Share of surplus/ (deficit) of associate	–	–	–	–		–	–	–				–
<b>Surplus/(Deficit) for the year</b>	<b>(4 988)</b>	<b>(5 275)</b>	<b>(4 502)</b>	<b>(8 625)</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>14 505</b>
<b>Capital expenditure &amp; funds sources</b>												
<b>Capital expenditure</b>												
Transfers recognised - capital	–	3 435	3 435	3 435		–	0,0%	0,0%				–
Public contributions & donations	–	–	35	–		–	0,0%	0,0%				–
Borrowing	–	–	–	397		–	0,0%	0,0%				202
Internally generated funds	6 923	(1 934)	4 989	4 315		–	0,0%	0,0%				5 106
<b>Total sources of capital funds</b>	<b>6 923</b>	<b>1 502</b>	<b>8 424</b>	<b>8 182</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>5 308</b>
<b>Cash flows</b>												
Net cash from (used) operating	(755)	(19 782)	(20 537)	16 195		–	0,0%	0,0%				13 325
Net cash from (used) investing	366	(1 502)	(1 136)	(1 414)		–	0,0%	0,0%				(494)
Net cash from (used) financing	–	–	–	(732)		–	0,0%	0,0%				(933)
<b>Cash/cash equivalents at the year end</b>	<b>169 379</b>	<b>(21 284)</b>	<b>148 095</b>	<b>188 287</b>		–	<b>0,0%</b>	<b>0,0%</b>				<b>174 238</b>

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue - Standard</b>												
<i>Governance and administration</i>	217 702	8 822	226 524	227 007		–	0,0%	0,0%				212 849
Executive and council	216 981	8 822	225 803	226 159		–	0,0%	0,0%				212 581
Finance and administration	721	–	721	848		–	0,0%	0,0%				268
Internal audit	–	–	–	–		–	0,0%	0,0%				–
<i>Community and public safety</i>	8 856	(2 054)	6 802	7 079		–	0,0%	0,0%				9 993
Community and social services	–	–	–	–		–	0,0%	0,0%				–
Sport and recreation	8 406	(2 240)	6 166	6 686		–	0,0%	0,0%				8 896
Public safety	–	–	–	–		–	0,0%	0,0%				658
Housing	–	–	–	–		–	0,0%	0,0%				–
Health	450	186	636	393		–	0,0%	0,0%				439
<i>Economic and environmental services</i>	160 105	27 946	188 051	150 894		–	0,0%	0,0%				177 236
Planning and development	–	–	–	5		–	0,0%	0,0%				1 672
Road transport	160 000	27 946	187 946	150 805		–	0,0%	0,0%				175 080
Environmental protection	105	–	105	85		–	0,0%	0,0%				484
<i>Trading services</i>	30 657	(22 442)	8 215	236		–	0,0%	0,0%				835
Electricity	–	–	–	–		–	0,0%	0,0%				–
Water	–	–	–	–		–	0,0%	0,0%				–
Waste water management	–	–	–	–		–	0,0%	0,0%				–
Waste management	30 657	(22 442)	8 215	236		–	0,0%	0,0%				835
<i>Other</i>	–	–	–	–		–	0,0%	0,0%				–
<b>Total Revenue - Standard</b>	<b>417 320</b>	<b>12 271</b>	<b>429 591</b>	<b>385 217</b>		–	0,0%	0,0%				<b>400 914</b>

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Expenditure - Standard</b>												
<i>Governance and administration</i>	126 483	7 636	134 119	155 438	-	-	0,0%	0,0%	-	-	-	108 390
Executive and council	45 692	9 079	54 771	46 514	-	-	0,0%	0,0%	-	-	-	44 394
Finance and administration	78 090	(1 319)	76 771	106 779	-	-	0,0%	0,0%	-	-	-	61 496
Internal audit	2 702	(124)	2 577	2 145	-	-	0,0%	0,0%	-	-	-	2 500
<i>Community and public safety</i>	79 377	1 304	80 681	78 815	-	-	0,0%	0,0%	-	-	-	84 156
Community and social services	9 814	2 627	12 441	11 990	-	-	0,0%	0,0%	-	-	-	-
Sport and recreation	13 225	(555)	12 670	11 659	-	-	0,0%	0,0%	-	-	-	13 187
Public safety	25 301	(571)	24 730	24 005	-	-	0,0%	0,0%	-	-	-	36 421
Housing	-	-	-	-	-	-	0,0%	0,0%	-	-	-	-
Health	31 037	(197)	30 840	31 161	-	-	0,0%	0,0%	-	-	-	34 548
<i>Economic and environmental services</i>	176 200	27 361	203 561	152 010	-	-	0,0%	0,0%	-	-	-	192 490
Planning and development	9 147	(1 101)	8 046	7 684	-	-	0,0%	0,0%	-	-	-	9 127
Road transport	163 468	28 536	192 004	140 850	-	-	0,0%	0,0%	-	-	-	177 945
Environmental protection	3 585	(74)	3 511	3 477	-	-	0,0%	0,0%	-	-	-	5 418
<i>Trading services</i>	33 470	(19 895)	13 575	3 650	-	-	0,0%	0,0%	-	-	-	1 373
Electricity	-	-	-	-	-	-	0,0%	0,0%	-	-	-	-
Water	10	(1)	9	-	-	-	0,0%	0,0%	-	-	-	-
Waste water management	-	-	-	-	-	-	0,0%	0,0%	-	-	-	-
Waste management	33 460	(19 894)	13 566	3 650	-	-	0,0%	0,0%	-	-	-	1 373
<i>Other</i>	3 126	(969)	2 157	3 929	-	-	0,0%	0,0%	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>418 656</b>	<b>15 437</b>	<b>434 093</b>	<b>393 842</b>	<b>-</b>	<b>-</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>386 408</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1 336)</b>	<b>(3 166)</b>	<b>(4 502)</b>	<b>(8 625)</b>	<b>-</b>	<b>-</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14 505</b>

MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue by Vote</b>												
Vote 1 - Executive and Council	216 981	8 822	225 803	218 860		–	0,0%	0,0%				212 581
Vote 2 - Budget and Treasury Office	–	–	–	–		–	0,0%	0,0%				0
Vote 3 - Corporate Services	721	–	721	848		–	0,0%	0,0%				268
Vote 4 - Planning and Development	–	–	–	5		–	0,0%	0,0%				1 672
Vote 5 - Public Safety	–	–	–	–		–	0,0%	0,0%				658
Vote 6 - Health	450	186	636	393		–	0,0%	0,0%				439
Vote 7 - Community and Social Services	–	–	–	–		–	0,0%	0,0%				–
Vote 8 - Sport and Recreation	8 406	(2 240)	6 166	6 686		–	0,0%	0,0%				8 896
Vote 9 - Waste Management	30 657	(22 442)	8 215	236		–	0,0%	0,0%				835
Vote 10 - Roads Transport	–	–	–	–		–	0,0%	0,0%				175 080
Vote 11 - Waste Water Management	–	–	–	–		–	0,0%	0,0%				–
Vote 12 - Water	–	–	–	–		–	0,0%	0,0%				–
Vote 13 - Environment Protection	105	–	105	–		–	0,0%	0,0%				484
Vote 14 - Roads Agency Function	160 000	27 946	187 946	158 189		–	0,0%	0,0%				–
Vote 15 - Electricity	–	–	–	–		–	0,0%	0,0%				–
<b>Total Revenue by Vote</b>	<b>417 320</b>	<b>12 271</b>	<b>429 591</b>	<b>385 217</b>		<b>–</b>	<b>0,0%</b>	<b>0,0%</b>				<b>400 914</b>
<b>Expenditure by Vote to be appropriated</b>												
Vote 1 - Executive and Council	51 456	6 994	58 449	42 325		–	0,0%	0,0%	–	–	–	46 894
Vote 2 - Budget and Treasury Office	21 608	1 664	23 272	21 814		–	0,0%	0,0%	–	–	–	21 476
Vote 3 - Corporate Services	42 339	48	42 387	41 636		–	0,0%	0,0%	–	–	–	40 020
Vote 4 - Planning and Development	24 234	(877)	23 357	56 344		–	0,0%	0,0%	–	–	–	9 127
Vote 5 - Public Safety	32 060	(225)	31 835	30 807		–	0,0%	0,0%	–	–	–	36 421
Vote 6 - Health	33 212	(179)	33 033	33 704		–	0,0%	0,0%	–	–	–	34 548
Vote 7 - Community and Social Services	–	–	–	–		–	0,0%	0,0%	–	–	–	–
Vote 8 - Sport and Recreation	13 225	(555)	12 670	11 659		–	0,0%	0,0%	–	–	–	13 187
Vote 9 - Waste Management	33 460	(19 894)	13 566	3 650		–	0,0%	0,0%	–	–	–	1 373
Vote 10 - Roads Transport	3 468	590	4 058	–		–	0,0%	0,0%	–	–	–	177 945
Vote 11 - Waste Water Management	10	(10)	–	–		–	0,0%	0,0%	–	–	–	–
Vote 12 - Water	–	9	9	–		–	0,0%	0,0%	–	–	–	–
Vote 13 - Environment Protection	3 585	(74)	3 511	75		–	0,0%	0,0%	–	–	–	5 418
Vote 14 - Roads Agency Function	160 000	27 946	187 946	151 828		–	0,0%	0,0%	–	–	–	–
Vote 15 - Electricity	–	–	–	–		–	0,0%	0,0%	–	–	–	–
<b>Total Expenditure by Vote</b>	<b>418 656</b>	<b>15 437</b>	<b>434 093</b>	<b>393 842</b>		<b>–</b>	<b>0,0%</b>	<b>0,0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>386 408</b>
<b>Surplus/(Deficit) for the year</b>	<b>(1 336)</b>	<b>(3 166)</b>	<b>(4 502)</b>	<b>(8 625)</b>		<b>–</b>	<b>0,0%</b>	<b>0,0%</b>				<b>14 505</b>

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2019/20								2018/19			
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Revenue By Source</b>												
Property rates	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Property rates - penalties & collection charges	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Service charges - electricity revenue	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Service charges - water revenue	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Service charges - refuse revenue	–	–	5 800	–	–	–	0,0%	0,0%	–	–	–	–
Service charges - other	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Rental of facilities and equipment	1 593	(70)	1 523	2 103	–	–	0,0%	0,0%	–	–	–	1 589
Interest earned - external investments	16 893	(3 600)	13 293	13 140	–	–	0,0%	0,0%	–	–	–	12 306
Interest earned - outstanding debtors	964	2 536	3 500	3 303	–	–	0,0%	0,0%	–	–	–	2 414
Dividends received	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Fines	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Licences and permits	105	–	105	85	–	–	0,0%	0,0%	–	–	–	484
Agency services	23 015	186 546	209 561	17 213	–	–	0,0%	0,0%	–	–	–	–
Transfers recognised - operational	165 426	9 691	175 117	165 953	–	–	0,0%	0,0%	–	–	–	166 674
Other revenue	205 672	(184 980)	20 692	179 900	–	–	0,0%	0,0%	–	–	–	215 246
Gains on disposal of PPE	3 652	(3 652)	–	–	–	–	0,0%	0,0%	–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>417 320</b>	<b>6 471</b>	<b>429 591</b>	<b>381 697</b>			<b>0,0%</b>	<b>0,0%</b>				<b>398 714</b>
<b>Expenditure By Type</b>												
Employee related costs	144 964	3 838	148 801	236 927	–	–	0,0%	0,0%	–	–	–	220 644
Remuneration of councillors	12 828	–	12 828	11 467	–	–	0,0%	0,0%	–	–	–	11 053
Debt impairment	1 721	1 873	3 594	4 394	–	–	0,0%	0,0%	–	–	–	12 424
Depreciation & asset impairment	3 477	1 356	4 833	35 246	–	–	0,0%	0,0%	–	–	–	(11 714)
Finance charges	–	–	–	38	–	–	0,0%	0,0%	–	–	–	127
Bulk purchases	–	–	–	–	–	–	0,0%	0,0%	–	–	–	–
Other materials	4 084	(1 660)	2 424	–	–	–	0,0%	0,0%	–	–	–	–
Contracted services	46 505	(14 700)	31 806	21 647	–	–	0,0%	0,0%	–	–	–	32 639
Transfers and grants	1 965	39	2 004	3 199	–	–	0,0%	0,0%	–	–	–	2 356
Other expenditure	203 113	24 691	227 804	80 920	–	–	0,0%	0,0%	–	–	–	118 888
Loss on disposal of PPE	–	–	–	–	–	–	0,0%	0,0%	–	–	–	(2 207)
<b>Total Expenditure</b>	<b>418 656</b>	<b>15 437</b>	<b>434 093</b>	<b>393 838</b>			<b>0,0%</b>	<b>0,0%</b>	–	–	–	<b>384 208</b>

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	2019/20								2018/19			
	Original Budget 1	Budget Adjustments (i.t.o. MFMA s28) 2	Final adjustments budget 3	Actual Outcome 4	Unauthorised expenditure 5	Variance 6	Actual Outcome as % of Final Budget 7	Actual Outcome as % of Original Budget 8	Reported unauthorised expenditure 9	Expenditure authorised in terms of section 32 of MFMA 10	Balance to be recovered 11	Restated Audited Outcome 12
Surplus/(Deficit)	(1 336)	(8 966)	(4 502)	(12 141)		–	0,0%	0,0%				14 505
Transfers recognised - capital	–	–	–	3 481		–	0,0%	0,0%				–
Contributions recognised - capital	–	–	–	–		–	0,0%	0,0%				–
Contributed assets	–	–	–	35		–	0,0%	0,0%				–
Surplus/(Deficit) after capital transfers & contributions	(1 336)	(8 966)	(4 502)	(8 625)		–	0,0%	0,0%				14 505
Taxation	–	–	–	–		–	0,0%	0,0%				–
Surplus/(Deficit) after taxation	(1 336)	(8 966)	(4 502)	(8 625)		–	0,0%	0,0%				14 505
Attributable to minorities	–	–	–	–		–	0,0%	0,0%				–
Surplus/(Deficit) attributable to municipality	(1 336)	(8 966)	(4 502)	(8 625)		–	0,0%	0,0%				14 505
Share of surplus/ (deficit) of associate	–	–	–	–		–	0,0%	0,0%				–
Surplus/(Deficit) for the year	(1 336)	(8 966)	(4 502)	(8 625)		–	0,0%	0,0%				14 505

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure</b>												
Vote 1 - Executive and Council	500	(500)	–	–	–	–	0%	0%	–	–	–	–
Vote 2 - Budget and Treasury Office	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 3 - Corporate Services	1 503	(260)	1 243	–	–	–	0%	0%	–	–	–	–
Vote 4 - Planning and Development	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 5 - Public Safety	2 000	(2 000)	–	–	–	–	0%	0%	–	–	–	–
Vote 6 - Health	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 7 - Community and Social Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 8 - Sport and Recreation	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 9 - Waste Management	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 10 - Roads Transport	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 11 - Waste Water Management	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 12 - Water	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 13 - Environment Protection	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 14 - Roads Agency Function	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 15 - Electricity	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Capital multi-year expenditure</b>	<b>4 003</b>	<b>(2 760)</b>	<b>1 243</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Single-year expenditure</b>												
Vote 1 - Executive and Council	–	164	164	186	–	–	0%	0%	–	–	–	316
Vote 2 - Budget and Treasury Office	–	40	40	112	–	–	0%	0%	–	–	–	302
Vote 3 - Corporate Services	70	193	263	1 270	–	–	0%	0%	–	–	–	1 954
Vote 4 - Planning and Development	–	22	22	76	–	–	0%	0%	–	–	–	316
Vote 5 - Public Safety	400	3 435	3 835	3 793	–	–	0%	0%	–	–	–	1 629
Vote 6 - Health	2 300	–	2 300	2 729	–	–	0%	0%	–	–	–	254
Vote 7 - Community and Social Services	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 8 - Sport and Recreation	–	500	500	5	–	–	0%	0%	–	–	–	538
Vote 9 - Waste Management	–	30	30	10	–	–	0%	0%	–	–	–	–
Vote 10 - Roads Transport	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 11 - Waste Water Management	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 12 - Water	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 13 - Environment Protection	150	(122)	28	–	–	–	0%	0%	–	–	–	–
Vote 14 - Roads Agency Function	–	–	–	–	–	–	0%	0%	–	–	–	–
Vote 15 - Electricity	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Capital single-year expenditure</b>	<b>2 920</b>	<b>4 262</b>	<b>7 182</b>	<b>8 182</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 308</b>
<b>Total Capital Expenditure - Vote</b>	<b>6 923</b>	<b>1 502</b>	<b>8 424</b>	<b>8 182</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 308</b>

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	2019/20								2018/19			
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Capital Expenditure - Standard</b>												
<i>Governance and administration</i>	2 073	(364)	1 709	–	–	–	0%	0%	–	–	–	2 532
Executive and council	500	(420)	80	–	–	–	0%	0%	–	–	–	240
Finance and administration	1 573	56	1 629	–	–	–	0%	0%	–	–	–	2 241
Internal audit	–	–	–	–	–	–	0%	0%	–	–	–	51
<i>Community and public safety</i>	4 700	1 935	6 635	–	–	–	0%	0%	–	–	–	2 421
Community and social services	–	–	–	–	–	–	0%	0%	–	–	–	604
Sport and recreation	–	500	500	–	–	–	0%	0%	–	–	–	538
Public safety	2 400	1 435	3 835	–	–	–	0%	0%	–	–	–	1 025
Housing	–	–	–	–	–	–	0%	0%	–	–	–	–
Health	2 300	–	2 300	–	–	–	0%	0%	–	–	–	254
<i>Economic and environmental services</i>	150	(100)	50	–	–	–	0%	0%	–	–	–	355
Planning and development	–	22	22	–	–	–	0%	0%	–	–	–	355
Road transport	–	–	–	–	–	–	0%	0%	–	–	–	–
Environmental protection	150	(122)	28	–	–	–	0%	0%	–	–	–	–
<i>Trading services</i>	–	30	30	–	–	–	0%	0%	–	–	–	–
Electricity	–	–	–	–	–	–	0%	0%	–	–	–	–
Water	–	–	–	–	–	–	0%	0%	–	–	–	–
Waste water management	–	–	–	–	–	–	0%	0%	–	–	–	–
Waste management	–	30	30	–	–	–	0%	0%	–	–	–	–
<i>Other</i>	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Total Capital Expenditure - Standard</b>	<b>6 923</b>	<b>1 502</b>	<b>8 424</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 308</b>
<b>Funded by:</b>												
National Government	–	1 750	1 750	–	–	–	0%	0%	–	–	–	–
Provincial Government	–	1 685	1 685	3 435	–	–	0%	0%	–	–	–	–
District Municipality	–	–	–	–	–	–	0%	0%	–	–	–	–
Other transfers and grants	–	–	–	–	–	–	0%	0%	–	–	–	–
<b>Transfers recognised - capital</b>	<b>–</b>	<b>3 435</b>	<b>3 435</b>	<b>3 435</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Public contributions &amp; donations</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Borrowing</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>397</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>202</b>
<b>Internally generated funds</b>	<b>6 923</b>	<b>(1 934)</b>	<b>4 989</b>	<b>4 315</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 106</b>
<b>Total Capital Funding</b>	<b>6 923</b>	<b>1 502</b>	<b>8 424</b>	<b>8 182</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>0%</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5 308</b>

MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2019/20							2018/19 Restated Audited Outcome
	Original Budget 1	Budget Adjustments (i.t.o. s28) 2	Final adjustments budget 3	Actual Outcome 4	Variance 5	Actual Outcome as % of Final Budget 6	Actual Outcome as % of Original Budget 7	
	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>				<b>361 061</b>				<b>375 691</b>
Property rates, penalties and collection charges	–	–	–	–	–	0,0%	0,0%	–
Service charges	–	–	–	–	–	0,0%	0,0%	–
Other revenue	230 385	(455)	229 930	179 404	–	0,0%	0,0%	198 480
Government - operating	165 426	9 691	175 117	168 518	–	0,0%	0,0%	164 905
Government - capital	–	(0)	(0)	–	–	0,0%	0,0%	–
Interest	16 893	(3 600)	13 293	13 140	–	0,0%	0,0%	12 306
Dividends	–	–	–	–	–	0,0%	0,0%	–
<b>Payments</b>				<b>(344 866)</b>				<b>(362 367)</b>
Suppliers and employees	(411 494)	(22 599)	(434 093)	(341 629)	–	0,0%	0,0%	(359 884)
Finance charges	–	–	–	(38)	–	0,0%	0,0%	(127)
Transfers and Grants	(1 965)	–	(4 784)	(3 199)	–	0,0%	0,0%	(2 356)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>(755)</b>	<b>(16 963)</b>	<b>(20 537)</b>	<b>16 195</b>	–	<b>0,0%</b>	<b>0,0%</b>	<b>13 325</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>				<b>6 336</b>				<b>(1 731)</b>
Proceeds on disposal of PPE	3 652	–	3 652	–	–	0,0%	0,0%	–
Decrease (increase) in non-current debtors	3 636	–	3 636	6 334	–	0,0%	0,0%	(1 731)
Decrease (increase) other non-current receivables	–	–	–	–	–	0,0%	0,0%	–
Decrease (increase) in non-current investments	–	–	–	1	–	0,0%	0,0%	–
<b>Payments</b>				<b>(7 750)</b>				<b>1 238</b>
Capital assets	(6 923)	(1 502)	(8 424)	(7 750)	–	0,0%	0,0%	1 238
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>366</b>	<b>(1 502)</b>	<b>(1 136)</b>	<b>(1 414)</b>	–	<b>0,0%</b>	<b>0,0%</b>	<b>(492)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>				–				–
Short term loans	–	–	–	–	–	0,0%	0,0%	–
Borrowing long term/refinancing	–	–	–	–	–	0,0%	0,0%	–
Increase (decrease) in consumer deposits	–	–	–	–	–	0,0%	0,0%	–
<b>Payments</b>				<b>(732)</b>				<b>(933)</b>
Repayment of borrowing	–	–	–	(732)	–	0,0%	0,0%	(933)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(732)</b>	–	<b>0,0%</b>	<b>0,0%</b>	<b>(933)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>(389)</b>	<b>(18 465)</b>	<b>(21 673)</b>	<b>14 049</b>				<b>11 899</b>
Cash/cash equivalents at the year begin:	169 768		169 768	174 238				162 341
Cash/cash equivalents at the year end:	169 379	(21 284)	148 095	188 287	–	0,0%	0,0%	174 238